The MAGAZINE of WALL STREET

and BUSINESS ANALYST

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WHICH STOCKS — WHICH INDUSTRIES

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★ **FEATURE ARTICLE** ★

CORPORATE CROSS-COUNTRY EXPANSION CREATES EARNINGS-DIVIDEND STABILITY

— With 2-Page Map showing Economic Growth-Decline —

BY THOMAS L. GODEY

★

10 POTENTIAL MARKET LEADERS FOR 1954

BY OUR STAFF

★

WHAT FIRST QUARTER 1954 EARNINGS REVEAL

BY WARD GATES

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and BUSINESS ANALYST

Member of Audit Bureau of Circulations

Vol. 94, No. 3 May 1, 1954

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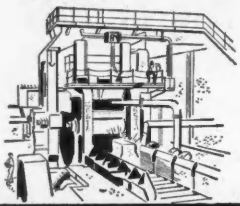
SUBSCRIPTION PRICE — $20.00 a year in advance in the United States and its possessions and Pan-America, Canadian and Foreign Postage, $1.00 additional per year. Please send International Money Order or United States Currency.

TO CHANGE ADDRESS — Write us your name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to your new address.

EUROPEAN REPRESENTATIVES — International News Co., Ltd., Breams Bldg., London E. C. 4 England.

Cable Address — Tickerpub



Twenty-ton steel ingot about to be passed through National's giant 45 by 90-inch universal reversing slabbing mill installed at the Great Lakes Steel division late in 1953.

A RECORD OF CONTINUOUS GROWTH

National Steel Reports for 1953

Year of expansion sets new records in capacity, payrolls, sales; income shows substantial gain.

BIGGER AND BETTER

Basic ingredient of our American standard of living is steel, and the multitude of products made from this versatile material. Throughout its history the steel industry has carried out the policy of consistently building to meet the growing needs of the country. In this National Steel has played an important part. The year 1953 saw the achievement of 6,000,000 ingot tons annual capacity, an increase of 53.8% since the first post-war year of 1946. New facilities during the year included the slabbing mill illustrated above, new Bessemer converters, new batteries of by-product coke ovens, and a complete new unit of docking facilities at Weirton Steel Company.

SET SALES RECORD

For 1953 sales were the highest in National Steel's history, despite a general decline in the demand for steel during the last quarter. Total sales for the year amounted to $634,178,060, compared with sales in 1952 of $548,625,817—an increase of $85,552,243, or 15.6%. In producing this record volume of business, an average of 28,975 employees were on the payroll, a slight decrease from the average of 29,102 in 1952. Total payrolls, however, increased to $159,822,220 for the year, versus $141,957,529 in the year preceding. In addition to wages and salaries, substantial payments were made for such employee benefits as retirement annuities, group insurance, hospitalization and surgical care.

INCOME AND TAXES

For the year 1953, income before a special charge amounted to $50,334,130, equal to $6.84 per share, compared with net income of $37,559,477, or $5.10 per share in 1952. After the special charge of $1,160,050, which was the net loss after tax resulting from sale of the Weirton Mine, net income was $49,174,080, or $6.68 per share. Dividends amounting to $3.25 per share were paid to stockholders during 1953.

The total tax bill of National Steel also increased markedly, amounting to $80,060,552 for 1953 as compared with $51,283,113 in the previous year. Out of each dollar of sales 12.6 cents were paid in taxes, as against income of 7.9 cents per sales dollar. Expressed another way, taxes were equal to 159% of income, or $10.87 per share. The provision for Federal income taxes alone amounted to $69,325,000.

HIGHLIGHTS OF 1953

Net sales	$634,178,060
Income before special charge	50,334,130*
Less: special charge	1,160,050
Net income	49,174,080
Net income per share	6.68
Total payrolls	159,822,220
Total dividends paid	23,862,229
Total taxes	80,060,552

*Equal to $6.84 per share

A copy of our Annual Report for 1953 will be mailed upon request

FOR THE FUTURE

As mentioned above, the target goal of 6,000,000 ingot tons annual capacity was reached as planned in 1953. Property additions during the year amounted to $71,253,331. But that is not the end of National Steel's continuing expansion program. For 1954 approximately $50,000,000 will be invested in further construction, including the rebuilding of a blast furnace at Great Lakes Steel Corporation to increase its pig iron capacity by 390,000 tons per year, and giving a total pig iron capacity for National Steel of nearly 5,000,000 tons annually.

Development of the Labrador-Quebec iron ore field, in which National Steel has a substantial interest, continued on schedule, with iron ore shipments expected in 1954.

Under construction is a new lake iron ore carrier which will be somewhat larger than the WEIR, launched in 1952, and the largest ship ever constructed on the Great Lakes.

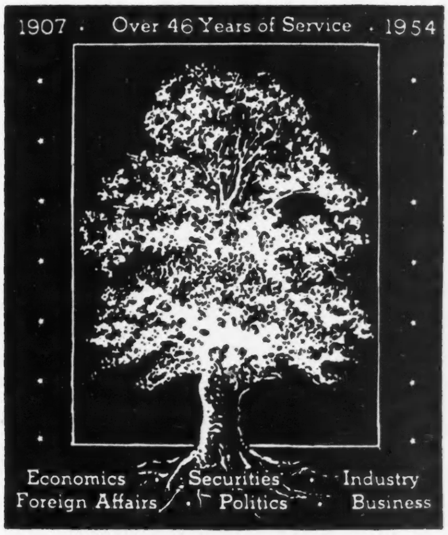
Through such planning for the future National Steel continues to grow in the service of America, helping to provide the essential ingredient of our expanding economy.

NATIONAL STEEL CORPORATION
GRANT BUILDING PITTSBURGH, PA.

Owning and Operating
Weirton Steel Company • The Hanna Furnace Corporation • Great Lakes Steel Corporation
National Steel Products Company • Hanna Iron Ore Company • National Mines Corporation

SERVING AMERICA BY SERVING AMERICAN INDUSTRY

THE MAGAZINE OF WALL STREET
C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

THE FHA SCANDAL . . . Allegations of irregularities by officials, past and present, of the Federal Housing Administration are damaging the reputation of that important agency of the government in the eyes of the public. Suspicion is now directed against the FHA and the building industry in general even though the charges that have been advanced estimate that only 1/10th of 1% of the mortgage insurance program has been involved. If this is true, it is probable that only a comparatively small number of builders have been engaged in unethical mortgage loan and insurance practices. However, even if it should be finally proved that only a relatively small amount of loans was involved, it will take a long time for the FHA to regain its former prestige.

This only goes to prove that a government official in a key position, engaged in dubious practices, involves not only himself but the entire agency to which he is attached. In this particular case, the consequences may be especially unfortunate since FHA has been the cornerstone of the home building program. Not only are there now thousands of disgruntled new home owners who feel that they have been dealt with unfairly but many other intending homebuilders may abandon their plans for home ownership as a result of the general atmosphere of suspicion which has been created by this new scandal. If this movement should become widespread the effects on the building industry and on the economy in general could be severe. The government, therefore, must speedily see to it that any offenders are severely punished and adequate financial retribution made by the guilty parties. Only if the people are convinced that justice will be done in this case, can confidence be restored.

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

A PROBLEM FOR THE UNIONS: . . . Labor union spokesmen have been particularly active in recent months in surveying unemployment conditions, most of them coming up with estimates which would indicate an even larger degree of unemployment than disclosed in official government statistics. No doubt, in publicizing their estimates, the union leaders display a natural concern for the unemployed members of their unions, as well as those who are not members. However, this does not tell the whole story.

One of the basic facts of life which the union leaders must deal with is that union membership tends to rise and fall together with the general level of the economy. When business is expanding, union membership increases: when business contracts, the membership falls off. This obviously has a direct impact on the union treasuries, as dues rise and fall depending on the rate of employment and increases or decreases in membership.

When union dues at the local level are decreasing, as at present, per capita payments to the parent unions are reduced. Consequently, the treasuries of the international unions become depleted. Though the situation is by no means *in extremis,* any drop

in revenue is considered a deterrent to the building up of union strength. Also, the union hierarchy cannot ignore the fact that hitherto secure jobs at union headquarters become imperiled.

Perhaps this new uncertainty about their financial oulook is at least one factor contributing to the surprising willingness of the union to abandon their efforts to modify the Taft-Hartley Labor Act in their favor. But a better test, perhaps, will occur in a few weeks when the steel union opens up annual wage negotiations with the industry. Even these normally acrimonious discussions may be tempered this time in view of the fact that union officials are now more concerned about the drop in their membership than obtaining higher wages.

THOSE PROXY BATTLES... This year appears to have more than its share of proxy conflicts between groups of investors. Largest, of course, and still to be decided, is that involving control of New York Central, which Robert R. Young of Alleghany Corporation seeks to wrest from the present management.

Just ended, in victory for the anti-management group, is a similar struggle over control of the New Haven. Still in doubt as this is written is a confused wrangle as to the future of American Woolen. Out in Detroit, a smaller clash has just ended in victory for a group which wants to distribute the assets of the Detroit and Cleveland Navigation Company rather than try to get into some other business than lake shipping.

Proxy fighting, by large, is not an edifying spectacle. This is not to say that there aren't justifiable proxy fights, or that changes of management are never desirable.

Neither do we argue that the owners of a property have no right to change its management when they feel it necessary. That is not only their right; it is their duty. With all these reservations, it is still true that the objectives of these loud, unseemly wrangles could in most cases be attained without the noise.

Directors can protect themselves from the humiliation of being dismissed by their company's owners by simple expedients: If what appears to be a disproportionate amount of earnings is retained in the business, tell the stockholders why. If net is small in proportion to sales, upgrade the management without waiting to be prodded by anti-management proxy seekers. If the company isn't maintaining its position in its industry, find out why and replace the persons responsible. If a changing picture has left the company with more cash than it needs, consult the stockholders on whether it shall be distributed or invested in some other enterprise.

It can be said more briefly then that: Directors who really exercise proper stewardship over the companies on whose board they sit are relatively safe from proxy fights—except for the inevitable adventurers who seek to reap where they have not sown. As far as the investor himself is concerned, existence of conditions which bring on proxy fights is not a hall-mark, generally, of real corporate success.

WATER IS VALUABLE...In a time troubled with the communist menace and the dreadful threat of H-bomb warfare, we are prone to ignore the fact that the United States, year by year, is becoming more susceptible to another kind of crisis. This may be less dramatic than the communist conspiracy and nuclear weapons but, in the long run, may prove equally serious. We refer to the growing shortage of water in important regions of this country. While affected localities are giving serious attention to the hazard, we, as a nation, have not fully considered the implications.

The immense industrialization of the United States and the rapid increase in populated centres has enormously increased the demand for water. This situation is now being aggravated by the development of atomic energy which requires fantastic amounts of water for efficient and safe operation. Within a decade, need for water by the atomic plants will be even greater.

In the meantime, the great cities, New York in particular, are struggling with the never-ending problem of finding enough water to supply their growing populations. Nor is this problem limited to the largest cities, as many of medium-size which have been rapidly adding to their factories and dwellings are beset with similar difficulties. Unless plans are laid for dealing with this problem, which grows more urgent each year, industry will be handicapped.

To some, the question of adequate water supplies for the nation may seem a subject for scientists rather than plain businessmen. Nothing could be further from the truth. In view of the importance of the problem of water supply we suggest that the government lose no time in appointing a commission of experts to investigate every phase of this vital situation and to make effective recommendations for a far-flung program in which the federal government, the states and localities play an active part. This is a needed step in assuring the continued long-term growth of the country.

FASHION PARADE IN STOCKS... Like its predecessors, the present rising market is featured by bursts of unusual activity in individual groups of stocks. First, one group and then another is taken in hand. Since speculators like to take the course of least resistance, it is inevitable that they prefer to make their play on such issues as happen to be in the limelight for the moment. When the popularity of these stocks fades, however, reaction takes place. Unless the profit is quickly taken, the losses come and, with it, the feeling of disappointment.

Human nature being what it is, we suppose nothing can dissuade those who are addicted to this folly. Our readers, we trust, are wiser.

There are fashions in stocks, like in many other things. We should like to suggest that it would be well to remember that these temporary fashions quickly go out of style.

LOOKING AHEAD TO 1960... From the stock market point of view, 1960 is quite far off but, from the standpoint of the business executive who must plan far ahead, that year is relatively near. As a matter of fact, most executives of large corporations are already planning in terms of 1960, and, indeed are forced to do so in order to assure that their capacity keeps pace with the (*Please turn to page* 204)

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS : : 1907—*"Over Forty-six Years of Service"*—1954

As I See It!

By JOHN CORDELLI

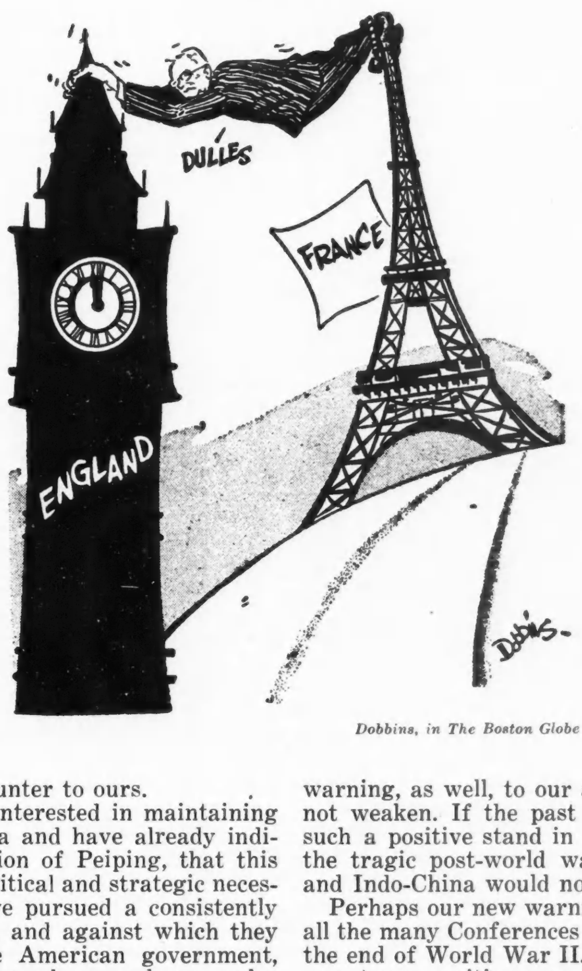
GENEVA CONFERENCE: ANOTHER IMPASSE?

As Secretary Dulles negotiates in Geneva he must have many misgivings as to the outcome. In the first place, he had to agree to the Conference to placate the French and hold them in line as they otherwise would undoubtedly have already taken steps to end the Indo-China conflict on terms most unfavorable to the free world. In the second place, he cannot even be sure of the British government which is meeting increasing pressure from labor and socialist elements to effect a compromise settlement with the Soviet bloc. In effect, Dulles may have no firm allies when he sits across the table from Molotov and Chou-en-lai.

The objective of the Conference is two-fold: one, to effect a peaceful settlement of the Korean question and, two, to restore peace in Indo-China. If the communist diplomats run true to form, they will use the Conference as an opportunity to split the allies, as they attempted to do in Berlin. It is true that they failed in Berlin but this was to be expected as immediate self-interest dictated a strong stand against Moscow. In the case of the Geneva Conference, however, the situation is different as the policies of the British and the French, especially with regard to Communist China, definitely run counter to ours.

The British are chiefly interested in maintaining their trade position in Asia and have already indicated, as in their recognition of Peiping, that this is paramount, even over political and strategic necessity. The French, who have pursued a consistently blind policy in Indo-China, and against which they have been warned by the American government, though they have fought bravely enough, may also recognize Peiping. They would no doubt even pay the price of admitting the Red Chinese into the United Nations, if this would bring about the end of the Indo-China war, despite the damage this would do to the world position of the free nations.

"UNITED FRONT"



Dobbins, in The Boston Globe

It is against this foreboding background that our Secretary of State must marshall his strength. No wonder many American leaders are sceptical that any worth-while results can be achieved and are fearful that our position in Asia may be weakened.

The Chinese and Russians are bound to use the Conference as a sounding-board. They probably are not nearly so interested in influencing opinion in Europe and America as they are in swinging public opinion in Asia to their side. If negotiations at Geneva prove inconclusive, the Soviet bloc will make it appear that we have blocked a settlement and their old cry of "war-monger" and "imperialist" America will resound from one end of Asia to the other. This may have a great appeal to countries like India which, under the leadership of Nehru, have blinded themselves to the fact that Moscow and now, Peiping, represent the worst imperialism in the history of the world.

It is obvious that Dulles is going to attend the Conference under a very severe handicap. It is with this in mind, no doubt, that he has attempted to fortify his position in advance by sternly warning the communists that we will not permit further aggression. This is an indirect warning, as well, to our allies that we, at least, will not weaken. If the past Administration had taken such a positive stand in Asia, it is quite likely that the tragic post-world war events in China, Korea and Indo-China would not have occurred.

Perhaps our new warning may do more good than all the many Conferences that have taken place since the end of World War II. It is even conceivable that our strong position may influence the procedings at Geneva. In any case, it will not harm to put some backbone into our allies as well as to give the communists something to think about.

It is at least certain that days of a wavering U. S. policy in Asia are over.

Areas Of Potential Market Strength And Weakness

So far, periods of easing in the market have continued to be brief and to be followed by rebounds. The performance was irregular and selective over the last fortnight, but it left the industrial and utility averages close to recent highs, with a test probably not far off. Continue to follow previously advised policy of discrimination in selections.

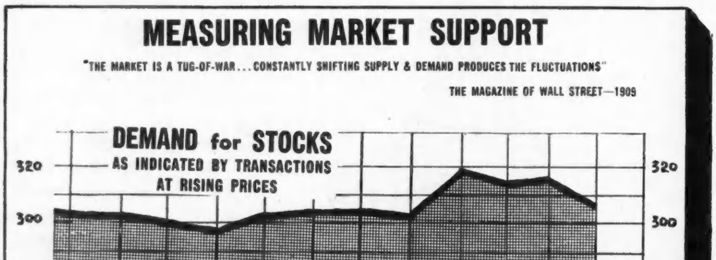
By A. T. MILLER

It continues to be a market of strong, weak and static stocks, with the latter most numerous. Hence, fluctuation in the daily averages tells only a limited part of the story. That is particularly true, of course, of the Dow industrial average; somewhat less true of the railroad and utility averages, for, despite considerable divergences among individual issues, rails and utilities conform with group trends materially more than industrials conform with the so-called general trend.

With that reservation noted, it can be observed that there has been no great change, on balance, in the general market position over the last fortnight. The movement of the industrial average was upward through the week of April 9-15, carrying over into the initial trading session last week in a spurt of strength which took the average to a new intra-day high a shade above 316. But that was transformed by late selling into a sizable net decline on the day. Subsequent changes were small, with mild mid-week easing followed by improvement toward the end of last week. The latter left the average only a fraction under its closing high of 313.77 made on April 15—high point to date of the advance begun last September, as well as the highest level in many years.

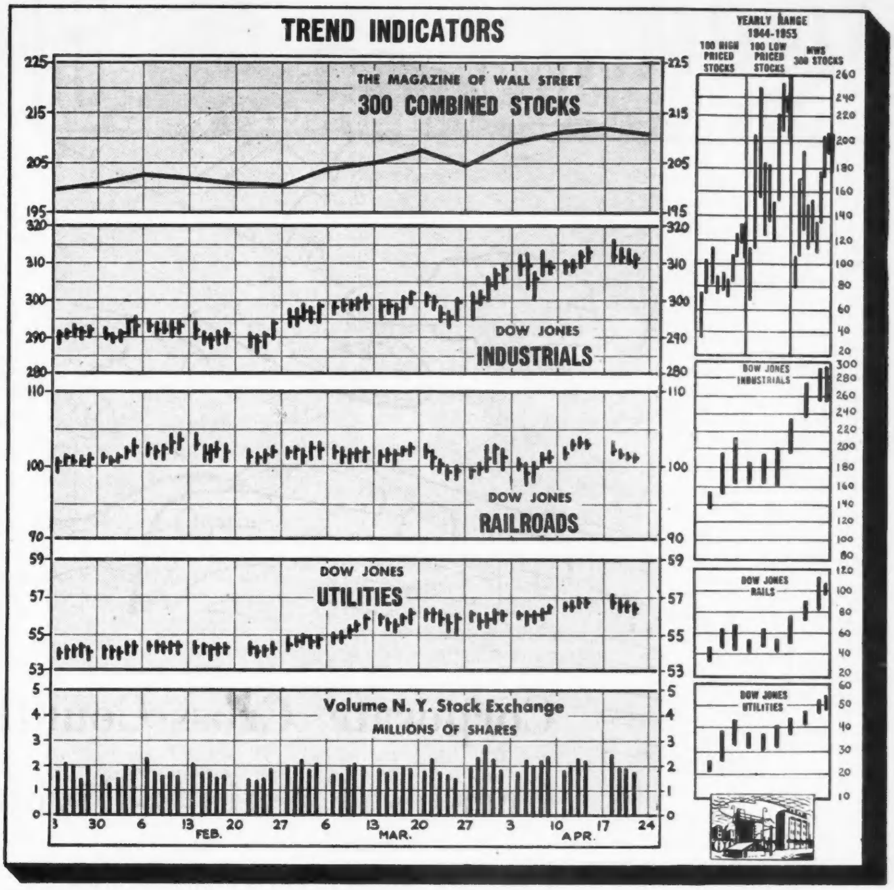
"Trend" Evidence Unclear

As we have noted before, market behavior has been getting somewhat more erratic on a day-to-day and week-to-week basis, as is usually so after a protracted and large advance. The "spills" have become more frequent in spacing; but so far none has gone any great distance and each has been followed by prompt rebounds. The test at this writing is again of the upward potentials—that is a test of the April 15 closing high—and is inconclusive. All that can be said is that up to this point investors and traders show more inclination, on balance, to hold or buy stocks than to sell, regardless of the scope of the prior rise, regardless of unclear business prospects, regardless of tax uncertainty, and regardless of high price-earnings ratios and extremely low current yields on a number of growth stocks long popular with institutional buyers. Of course, they can be less price and yield conscious than individual investors. The latter should bear in mind that "fair-haired" stocks—some yielding from a fraction of 1% return to only 3% or so—do after all have a limit somewhat short of the sky. They always have had.



The performance of most rail stocks remains disappointing to bulls, although more in a negative than positive way. Despite wide year-to-year declines in monthly net income, the rail average reached a mid-April rally level within a fraction of its February recovery top. A penetration of the latter might have induced considerable buying, extending

the advance, now suspended for some weeks, from the lows of last September. However, a backdown of nearly 2 points by the average dampened any immediate hope for an upside break-out. On the other hand, the average remains in a narrow trading range, and turned upward a bit late last week. Since it is hard to see how rail traffic and profit news can get worse, at least in nearby weeks, than it has been heretofore, the possibility exists that the average will do some further testing of its February high.



Utilities have backed down no more than a fraction from their latest bull-market high, recorded by this average on April 14. Some of the "steam" has temporarily gone out of this group because of cessation of the downward trend of bond yields. Mild correction in the bond market can be ascribed mainly to the scope of its prior advance since last June and to a recent over-heavy concentration of new corporate and tax-exempt bond flotations. Since the official easy-money policy is bound to continue—and probably go further—until there is a definite upward turn in the business cycle, it is improbable that the maximum rise in the bond market has been seen. If that is correct, utilities and other money-rate income stocks could work moderately higher over a period of time. Yet, there is a limit to bond, as well as to stock, prices; and it seems probable that any further rise will be materially less than that already seen.

Recent variations in the industrial section of the market reflect divergencies in interim profits trends, in 1954 prospects, in the degree of investment confidence in long-range potentials, in technical factors and in news developments. Aircrafts have responded further to spectacular profit gains facilitated by EPT lapse. A favorable shift in Federal rate-making policy has aided stocks of pipe line companies which own sources of natural gas production. Tobacco stocks have rallied further on evidence of the waning of the "cancer-smoking" scare. Other areas of recent strength, or rally, include auto parts, building materials, finance and small-loan stocks, biscuit bakers, office equipment, some steels and paper.

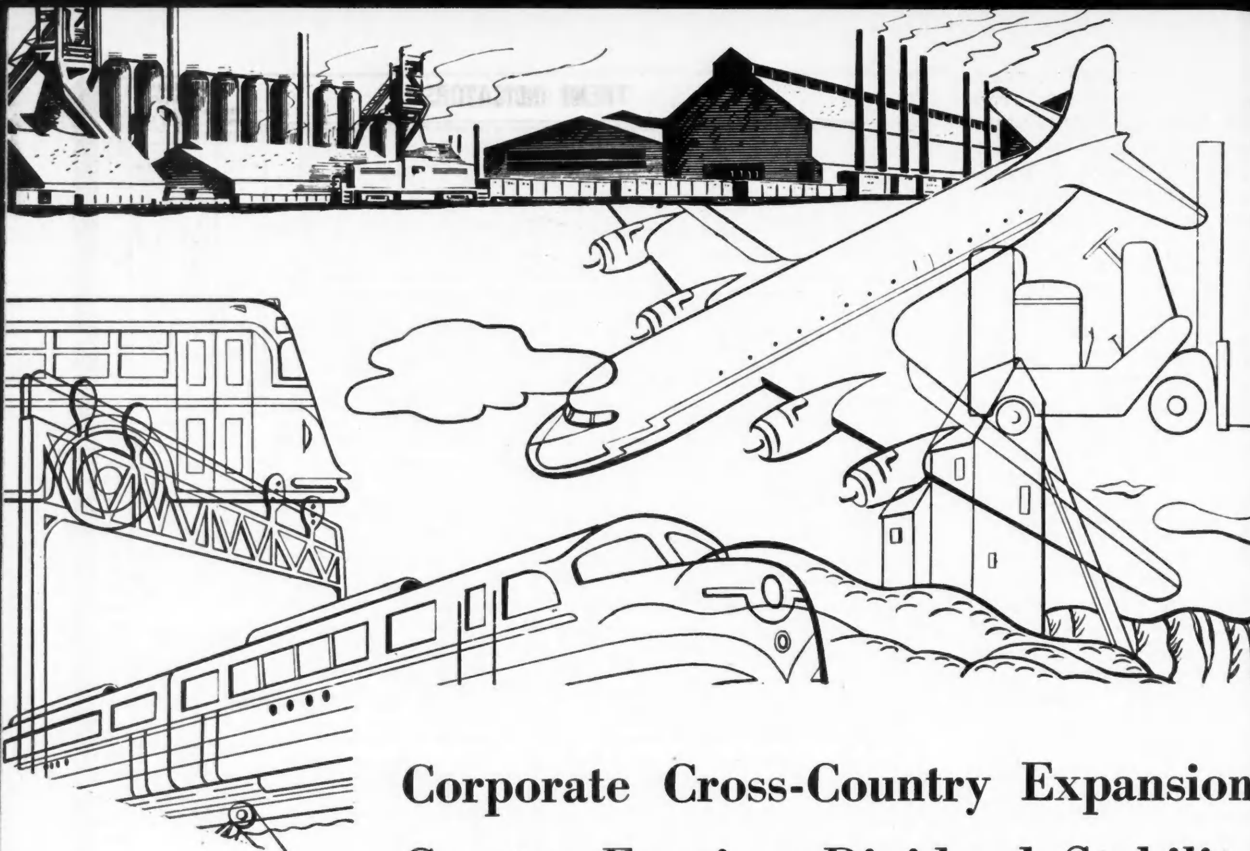
With the exception of General Motors, automobile stocks have been under some further recent pressure. There has been a further decline in the depressed textile group. With their technical position weakened by prior rise, spurred by over-enthusiasm over the immediate trend to "automation"—machine-tool and machinery stocks have generally eased somewhat. Other recent soft areas, mostly subject to moderate dips, include air lines, auto trucks liquor, metal fabricating, radio-television, rail equipments, shipbuilding, shipping, sugar, movies and tires.

The Motivating Forces

The level at which the market will have importantly over-discounted the considerations heretofore making for investment confidence is still conjectural. They are principally the generally good 1954 dividend prospect, easy-money conditions, the still fairly wide spread of average stock yields over bond yields, belief that business recession will remain within moderate limits, hopes for investment-stimulating tax revision; and faith that the business cycle will be reversed within a reasonable time, perhaps by or before autumn.

Possibility of some disappointment ahead should be allowed for. The Administration's tax reforms are not yet "in the bag." The downward business curve has merely flattened out, with no general spring rebound indicated. In the automotive, steel, textile and some other lines of business, earlier 1954 expectations are being scaled down. Should autumn find the recession picture either no better or somewhat worse, the November elections might alter the political environment materially for the worse.

Continue to hold conservative reserves. Continue to put careful emphasis on the position and prospects of individual stocks in your buying and selling decisions.—Monday, April 26.



Corporate Cross-Country Expansion Creates Earnings-Dividend Stability

By THOMAS L. GODEY

Simultaneous with revolutionary advances in American technology and the creation and marketing of new products, industry and commerce in the United States is undergoing another radical transformation, not so well publicized, perhaps, as developments in the vivid new industries—atomic energy, electronics, jet planes and sensational chemicals—but none the less important to the future of our economy and investments, in general.

Essentially, this is a movement of decentralization in which corporations are actively engaged, first, to expand the physical base of their earning power and, second, to obtain the greatest possible diversification through the location of plant and market in order to provide maximum stability to their operations. Hence, we have been witnessing the remarkable phenomenon of a shifting on an enormous scale of the location of manufacturing plants, distribution points and offices. The cost of such relocation may run into millions in individual cases but is no deterrent to the more progressive concerns in their need to mesh in with the new conditions created by massive shifts in population.

For investors, this development is of the greatest importance as the unwillingness or inability of a corporation's management either to move its plant or plants, when required, or to add to these facilities by laying down new plants in growing sections of the country, may spell the difference between a dependable or weak basis of operations. In the earlier days of American industry, manufacturing plants were far and few between in a sparsely settled country, and most companies, even those of large size, had only a single plant or two. Generally, owners depended more or less exclusively on the surrounding vicinity, local or regional, to support their enterprises. Concentrated in a limited number of areas, at best, they were entirely vulnerable to the ebb and flow of business conditions in these localities. Lacking a widespread geographical distribution of facilities, such as is common in present-day industry, it was inevitable that the base of their earning power should remain extremely narrow.

While the population of the country grew rapidly at the end of the nineteenth and early twentieth century, population movements were mainly restricted to the already settled areas of New England, the Middle Atlantic States and the Middle West. This concentration led to a consistent uniformity among the various manufacturing and trading centers so that all more or less simultaneously experienced prosperity or depression, depending on the general economic situation. While the one or two-plant corporations necessarily lacked stability in adverse times, the larger concerns, even those with a considerable number of plants located in a number of states, found little immunity through diversification inasmuch as conditions in one plant in one region tended pretty much to duplicate coditions in other plants in other regions. Under such conditions, the

larger companies, despite wide distribution of facilities, simply found their troubles compounded when business became poor.

The New Diversification

In the past generation, especially since the end of World War II, the physical base of corporate activity has changed radically so that diversity in location of plant and distributive facilities has become a much more effective factor than formerly in the stabilization of corporate income and, therefore, of dividends. With the population growing at the extremely rapid rate of over 2.5 million a year and with the equally impressive shifting of millions of people from East and mid-East, to South, Southwest, West and Northwest, individual companies have been compelled to keep pace through establishing new plants and warehouses and other facilities in these regions. As these new physical facilities increase and the demand for labor and services are stimulated, more of the population is attracted into these new regions. Obviously, this affords an excellent opportunity to corporations to find new markets, as well as locate plants in regions which provide favorable operating conditions, such as access to raw materials, ample labor supply at fair wage rates, improved communications, electric power facilities, transportation and the many other factors which affect corporate operations.

The accompanying map, together with supporting data in the chart and the statistical material appended, shows very clearly the direction in which the population has moved and with it, American industry and trade. Entire new industries have developed in these regions and many corporations, even of the largest size, have not hesitated to spend very large sums to make sure that they would be in a position to profit from these developments.

One of the most important economic facts of our time is that one-third of the nation's population is now located *west* of the Mississippi. That means some 50 million people now live and work in that vast region which, even yet, is underpopulated. By 1975, there will probably be over 70 million. The present immense population has spread into the Gulf states as well as California, Oregon and Washington.

Nor should we fail to mention Florida, parts of Georgia and nearby parts of the South, which are also growing very rapidly both in manufacturing and trade as well as population. How the various regions have grown relatively is shown in the following tabulation:

	TRANSPORTATION 10 Year Pct. Increase	CONSTRUCTION 10 Year Pct. Increase	TRADE 10 Year Pct. Increase
New England	23.7	79.7	31.5
Middle Atlantic	29.6	75.9	37.1
East North Central	45.2	143.1	47.8
West North Central	49.9	101.5	48.6
South Atlantic	52.2	119.2	79.9
East South Central	45.3	140.3	83.4
West South Central	65.5	151.4	88.6
Mountain	58.2	152.7	79.4
Pacific	66.4	178.0	68.4

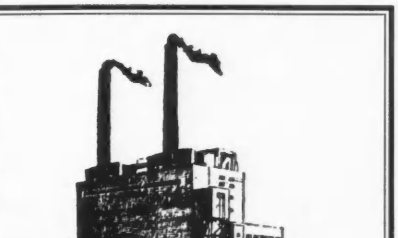
As these regions become activated through the location of new industries, the older populations benefit as their standard of living inevitably tends to rise under the impact of rising industries. Whole communities, hitherto struggling against a low average income as compared with other regions, now find themselves, as a result of better wages and business returns, able to buy many products which they hitherto lacked and could not afford. This means a much broader market for new homes, automobiles, television and radio sets, washing machines and all the other equipment familiar to the American home. In addition, of course, a tremendous impetus is given to consumption of food products and purchase of apparel and home fittings.

Corporations extending their activities into these newly developed regions find that the new source of revenue tends to counteract any decline which may have occurred in operations in other regions. This is as true of manufacturing as merchandising, as a good share of the output of the new plant is devoted to supplying the needs of the region in which it is newly located.

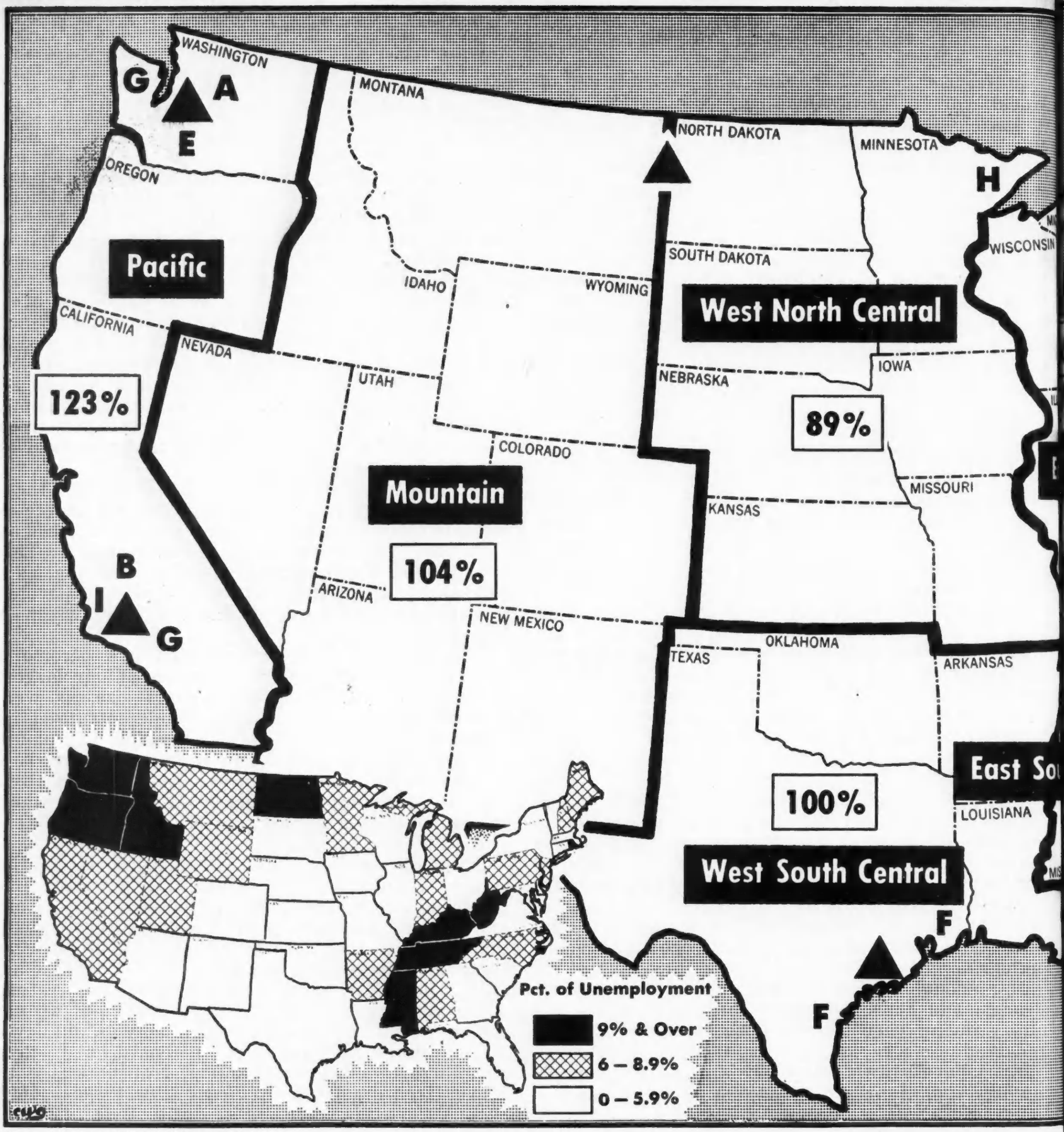
This process of decentralization has become a noteworthy feature of the activities of our largest corporations and many of medium size, as well. General Motors, for example, has decentralized its assembly operations as much as possible and plants have been located near the more important markets for the corporation's products. The Chevrolet Division has 10 assembly plants in as many cities and the Buick-Oldsmobile-Pontiac divisions have 7 assembly plants.

Space does not permit a detailed account of the extent of industrial decentralization generally but a few additional examples may suffice. Thus, General Electric has been intensifying its decentralization program, the new $25 million plant in Georgia being an outstanding example. U. S. Steel's $500 million new Fairless plant in New Jersey is a rather spectacular example of the development of an old region for entirely new purposes, and was laid down not only to supply the eastern seaboard but to take advantage of efficient ocean-rail transportation to convey iron ore from (*Please turn to page* 160)

Decentralization is the keynote of American industry and trade today. In order to keep pace with the enormous shift in population since World War II, corporations have laid down new plants and other vital facilities in regions of the country which are growing most rapidly. How this development leads to greater stability of earnings and dividends is described in this unique article.



INDUSTRY—EMPLOYMENT—TRAD



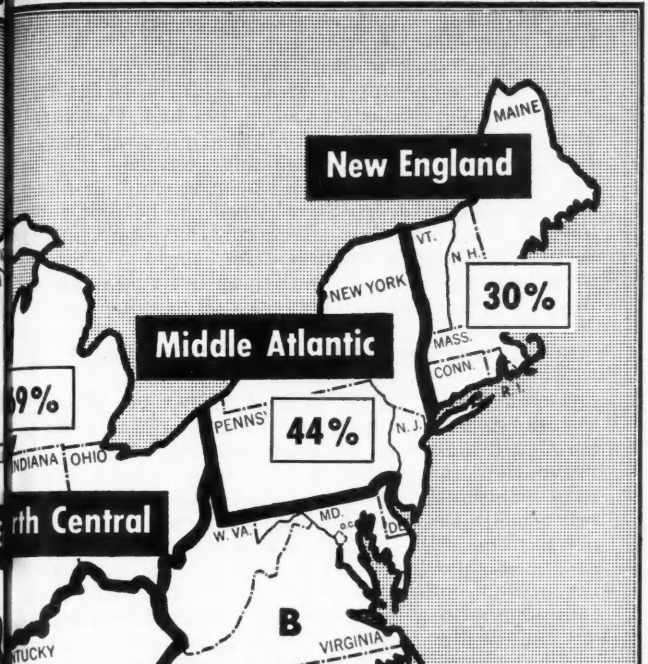
MAP BY THE MAGAZINE OF WALL STREET

POPULATION TRENDS 1943-1952(*)

	1943	1952		1943	1952		1943	1952		1943	1952		1943	1952		1943
New England	8.3	9.5	**Middle Atl.**	26.3	30.9	**East Nor. Cent.**	26.5	31.4	**West Nor. Cent.**	12.7	14.3	**Sou. Atl.**	19.3	22.0	**East Sou. Cent.**	10.8
Maine	.8	.8	New York	12.7	15.1	Ohio	6.8	8.1	Minn.	2.5	3.0	Delaware	.2	.3	Kentucky	2.7
New Hampshire	.4	.5	New Jersey	4.2	5.1	Indiana	3.4	4.1	Iowa	2.3	2.6	Maryland	2.0	2.5	Tennessee	2.9
Vermont	.3	.3	Penna.	9.4	10.6	Illinois	7.7	8.9	Missouri	3.7	4.0	Dist. of Col.	.8	.8	Alabama	2.8
Mass.	4.2	4.7				Michigan	5.4	6.7	Nor. Dak.	.5	.6	Virginia	3.1	3.4	Mississippi	2.2
Rhode Island	.7	.8				Wisconsin	3.0	3.5	Sou. Dak.	.5	.6	West Va.	1.7	1.9		
Conn.	1.7	2.1							Nebraska	1.2	1.3	Nor. Car.	3.6	4.1		
									Kansas	1.8	2.0	Sou. Car.	1.9	2.1		
												Georgia	3.2	3.5		
												Florida	2.4	3.1		

(*)—in millions.

ADRENDS IN THE U.S.



LEGEND:

%	Regional production trends (% increase) (1942-1952)
▲	Areas with most rapid establishment of new industries

Location of expanding industries:

A — Atomic energy
B — Electronics
C — Textiles
D — Paper
E — Food Products
F — Chemicals-Petrochemicals
G — Aircraft
H — Iron Ore (taconite)
I — Apparel

WAGE DIFFERENTIALS IN TYPICAL STATES AND CITIES

— Average Hourly Earnings —

States		Cities	
Oregon	**$1.97**	**Detroit, Mich**	**$1.98**
California	**1.79**	**San Francisco, Calif.**	**1.87**
Illinois	**1.67**	**Portland, Ore.**	**1.83**
New York	**1.65**	**Rochester, N. Y.**	**1.70**
Pennsylvania	**1.61**	**Newark, N. J.**	**1.68**
Massachusetts	**1.53**	**Boston, Mass.**	**1.55**
Tennessee	**1.29**	**Providence, R. I.**	**1.42**
North Carolina	**1.17**	**Chattanooga, Tenn.**	**1.33**
Mississippi	**1.05**	**Atlanta, Ga.**	**1.33**
		Charlotte, N. C.	**1.24**
		Little Rock, Ark.	**1.10**

MANUFACTURING BY STATES

State	Rank 1939	Rank 1952
New York	**1**	**1**
Pennsylvania	**2**	**2**
Ohio	**3**	**3**
Illinois	**4**	**4**
Michigan	**5**	**5**
California	**8**	**6**
New Jersey	**6**	**7**
Massachusetts	**7**	**8**
Indiana	**9**	**9**
Wisconsin	**12**	**10**
North Carolina	**10**	**11**
Connecticut	**11**	**12**
Texas	**15**	**13**
Missouri	**13**	**14**
Georgia	**14**	**15**

REGIONAL TRADE BAROMETER

(See Small Map)

Region	% Change from a Year Ago
New England	**Plus 0.6%**
Middle Atlantic	**Minus 0.9%**
East North Central	**Minus 0.5%**
West North Central	**Plus 1.0%**
South Atlantic	**Plus 1.5%**
East South Central	**Plus 1.2%**
West South Central	**Minus 3.3%**
Mountain	**Plus 1.4%**
Pacific	**Minus 2.0%**

952(*)

	1943		1943	1952		1943	1952		1943	1952
	10.8	**t Sou. Cent.**	13.5	15.1	**Mountain**	4.4	5.4	**Pacific**	11.8	15.4
	2.7	nsas	1.8	1.8	Montana	.4	.5	Washington	2.0	2.4
	2.9	siana	2.5	2.8	Idaho	.5	.6	Oregon	1.2	1.5
	2.8	homa	2.2	2.2	Wyoming	.2	.3	California	8.5	11.3
	2.2	s	6.9	8.1	Colorado	1.1	1.4			
					New Mex.	.5	.7			
					Arizona	.7	.8			
					Utah	.6	.7			
					Nevada	.1	.1			

Decentralization of Major Companies

Partial List of Plants	Principal Products
E. I. duPont de Nemours	
Newport, Del.	Titanium metal
Memphis, Tenn.	Hydrogen peroxide, sodium cyanide
Beaumont, Tex.	Poultry feed supplement
Starke, Fla.	Ilmenite, raw material for titanium metal
Kingston, N. C.	"Dacron" polyester fiber
Martinsburg, W. Va.	
Circleville, Ohio	"Mylar" polyester transparent film
Orange, Texas	Industrial and agricultural chemicals, etc.
Ecorse, Mich	
Philadelphia, Pa.	
St. Louis, Mo.	
Niagara Falls, N. Y.	
Toledo, Ohio	

Together with its more than 50% owned subsidiaries, duPont de Nemours has about 80 plants in 26 states, three plants in Mexico, and one in Chile.

Partial List of Plants	Principal Products
Goodyear Tire & Rubber	
Jackson, Mich.	Tires and tubes
Topeka, Kans.	Tires
Cumberland, Md.	Tires and tubes
Los Angeles, Calif.	Tires, tubes and rubber products
Lincoln, Nebraska	Industrial rubber products
New Bedford, Mass.	Rubber products
Gadsden, Ala.	Tires, tubes and shoe products
St. Marys, Ohio	Molded rubber goods and pliofilm
Rockmart, Ga.	Textile and rubberized fabrics
Niagara Falls, N. Y.	Chemicals
Akron, Ohio	Aero and rubber products

Operates a total of 22 plants in 12 states, 4 in Canada, and one each in Java, Sweden, South Africa, Peru, Cuba, Brazil, Argentina, Colombia, Australia, Mexico, England and Luxembourg. Also operates a cotton plantation in Arizona and rubber plantations in Costa Rica, the Philippines and Sumatra.

Partial List of Plants	Principal Products
United States Steel	
Gary, Ind.	Raw steel and finished steel products. Output of certain plants include coal chemicals such as ammonium sulphate, crude naphthaline, tar and light oils.
So. Chicago, Ill.	
Pittsburg, Calif.	
Los Angeles, Calif.	
Worcester, Mass.	
Birmingham, Ala.	
Cleveland, Ohio	
Morrisville, Pa.	
Ironton, Utah	
So. San Francisco, Calif.	
Pittsburgh (area), Pa.	

The above grouping is considerably condensed but shows strategic location of steel plants to serve every section of the nation. Not included are cement plants and other process mills, and raw materials properties.

Partial List of Plants	Principal Products
Aluminum Co. of America	
Bauxite, Ark.	Bauxite refineries
E. St. Louis, Ill.	Bauxite refineries
Mobile, Ala.	Bauxite refineries
Alcoa, Tenn.	
Badin, N. C.	
Massena, N. Y.	
Pt. Comfort, Tex.	Smelters
Wenatchee, Wash.	

Also operates 18 plants in 14 states for fabricating aluminum into mill or other products.

Partial List of Plants	Principal Products
Union Carbide & Carbon	
Niagara Falls, N. Y.	Alloys and metals
Alloy, W. Va.	
Portland, Ore.	
Ashtabula, Ohio	
Marietta, Ohio	
Texas City, Texas	Chemicals and plastics
Whiting, Ind.	
Bound Brook, N. J.	
Niagara Falls, N. Y.	
Leach, Ky.	
Torrance, Calif.	
Red Oak, Iowa	Electrodes, carbons and batteries
Cleveland, Ohio	
Charlotte, N. C.	
St. Albans, Vt.	

Operates over 200 plants in the United States and Canada.

(*Continued from page* 157)
new Venezuelan mines to the new mills. An entire new community of some 30,000 has been built up around this development and this is destined to attract many new industries.

The great retail establishments have also kept pace with the opening up of new regions. In the lead have been such concerns as Sears, Roebuck, Federated Department Stores, Kroger Co. and Safeway Stores. It is obvious that merchandising concerns such as these and others which have been expanding along similar lines have greatly widened the base of their operations and that, in effect, they have guaranteed themselves and ever-increasing source of total revenue, regardless of whether an individual region in which they are located fares well or not.

Guaranteeing More Stable Operations

This guarantee of stability of operations, through the extension of plant and retail outlet activities through rapidly growing regions, lays a much firmer foundation under earnings and dividend payments than was possible as recently as a decade ago. Forward-looking corporations realize that by 1975, the population of the United States will be somewhere in the neighborhood of 210 millions, compared with the present approximately 160 millions. But, since this population will be spread more evenly throughout the country, with hundreds of new communities still to be born, it is clear that current expansion into new regions, great as it is, is merely the beginning of an enormous transformation into the economic life of the country—barring a major war in which we are involved—and likely to last for a generation.

It should also be realized that the expansion is in two directions: one, into new regions in the South, Southwest, West and Northwest; and two, into suburban regions clustered around our major cities, East a swell as West. This latter has been an important development on its own and has created a demand for local service on an unprecedented scale. The entire merchandising industry has become involved in this suburban development, as witness the opening up of all manner of new stores, branch banks, and service establishments of all kinds. The new revenues derived from these sources by companies opening up branches tends to compensate for any loss of their older establishments in communities that have become too congested for economic operation of business.

In a sense, the opening up of new communities, West or East, has simplified the problem of distribution costs for manufacturers as they are forced to develop outlets in close vicinity to these new communities. In an era of high transportation costs, this is an important item. Transportation costs, including rail, truck, parcels post and railway express are an important factor in causing industry to set up new plants at various points to shorten the distance between the point of manufacture and distribution points and markets. One of the reasons for the difficulties of many New England manufacturers, for example, is that they are so far away from the principal centres of industrial activity and sources of raw materials that transportation costs from raw material to finished product to and from the manufacturing location places them at a disadvantage with competitors more favorably situated.

There are other important factors involved in new plant location. For example, the selection of the

South as a cite for a new plant or point of distribution has enabled corporations to take advantage of relatively lower labor costs. It has been possible for some manufacturers moving South to save on payroll and increase productivity, at the same time.

Access to Raw Materials

The same consideration as to cost reduction apply to the growing tendency of manufacturers to select sites close to sources of the raw products they require for their manufacturing operations. Greater accessibility to fresh sources of supply of raw materials provides two advantages; one, reduction in the cost of transportation and, two, increased availability of supplies as compared with older sources that have been in process of being used up. This also permits greater continuity of plant operation.

An indication of what the rapid expansion of corporations means to certain railroads may be found in illuminating information published by the Southern Pacific and Southern Railway, both operating in regions becoming heavily industrialized. Southern Pacific states that in 1953 alone, there was a gain of 444 new carloading producing industries and that 125 companies had completed major expansion programs. Along the Southern Railway route, there were additions in 1952 (later figures are not available) to 114 existing plants, representing an aggregate investment of over $1 billion. Many other new facilities were built in the system's territory during the year. There is no doubt that further expansion here occurred in the past year and that it will continue for some years to come.

Accessibility to location of raw materials has been chiefly responsible for rapid development of the chemical and petrochemical industries around the Gulf Coast. At the same time, due to climatic and similar conditions, greater continuity of operations, at less cost, has been accomplished.

Other factors involved in the relocation and decentralization of industry are state or local taxes, accessibility to seaports and lakeports, power, water availability (an increasingly important requirement for many industries), and community living conditions, both with respect to climate and recreation.

It should be obvious that the conditions under which corporations locate their establishments to-day —and this includes adequate living facilities for workers and office help as well as plants, warehouses, distribution points, transport and offices— requires the utmost in scientific examination of the problems involved, as well as potentialities for profit. Under the most efficient auspices, this should provide far more economic administration and operation than was possible under the more or less haphazard planning characteristic of an earlier age in American growth. Since the cost factor is becoming more important than ever in company operations, it is probable that the burgeoning of industry in the United States is likely to reduce the cost of operation wherever the location of plants and business establishments has been accomplished under modern, scientific lines. This is one of the strongest assurances to an investor that his company can maintain earnings on a scale sufficient to provide for uninterrupted dividends.

We have sketched in the background for the rapid decentralization of corporations in America, and the consequent widening of (*Please turn to page* 201)

Other Examples of Diversification

Plants and Products

Armco Steel Corp.

Together with wholly-owned subsidiaries operates 9 steel plants in 7 states and 42 fabricating plants in 26 states. Also operates 6 fabricating plants in 6 Canadian provinces and one plant in each of 10 Latin American and 9 overseas countries. Output consists of a wide range of products, coke, coal, coal chemicals.

Allis-Chalmers Co.

Operates 11 plants in 9 states with varied output consisting of agricultural machinery and equipment, a wide range of industrial machinery and equipment, electrical equipment. An additional plant produces internal combustion engines of all types. Also operates 2 Canadian plants. A wholly-owned subsidiary produces agricultural equipment at a plant in Essendine, England.

American Cyanamid Co.

Its 33 plants, located in 21 states, produce a vast number of industrial and agricultural chemicals, industrial explosives, pharmaceutical and biological products, synthetic resins, plasticizers, etc. Also operates four Canadian plants, and one each in Mexico, India and Australia.

American Can Co.

Principal plants include more than 50 located in 22 states for the manufacture of tin cans, metal packaging and metal specialties; 4 paper milk container plants located on the east and west coasts. Also has 7 plants for manufacture and repair of can making machinery.

Beneficial Loan Corp.

Has 717 branch offices operating in the small loan field in 42 states. Also operates 92 similar branches located throughout all of Canada.

Dixie Cup Co.

Economical distribution of paper cups and food containers is achieved through six plants located in east coast, midwest, and west coast areas. Another plant is located in Ontario, Canada.

Federated Department Stores

Owns 12 major department and specialty stores, together with 19 branches located in 9 states from Maine, New York through the midwest to Texas and California.

General Electric Co.

With its domestic manufacturing subsidiaries has more than 132 plants located in 26 states, producing an extremely varied line of products. A wholly-owned subsidiary operates 12 plants in Canada.

Sylvania Electric Products

Has 35 plants located in 11 states producing various types of lamps, radio and television equipment, electronic components, military electronic equipment, radio and TV receiving sets, germanium and silicon metal and high purity chemicals.

Westinghouse Electric

The company's 46 plants, exclusive of 8 devoted to defense products, are located in 18 states. Output ranges from lamps to large power generators and include electrical equipment for industry and electric appliances for the home.

1954 1st QUARTER EARNINGS

What Reports Reveal As to Individual Company Prospects

By WARD GATES

PART I

No corporate earnings reports in recent years have been awaited with so much interest by investors as those for the first quarter of this year as this was the first opportunity of determining the actual effects of the business turndown in terms of per share earnings. While a conclusive number of earnings reports for the period have not been published as yet and a final determination as to the trend will, therefore, have to await analysis of additional statements (to appear in Part II in the May 15 issue) we should judge, tentatively, that earnings for the most part held up surprisingly well, under the circumstances; or at the worst, were less disappointing than expected.

It had been expected that a sharp drop in earnings would continue to follow the decline in production and sales which became quite visible as far back as last September. This was noted in our analysis of fourth quarter 1953 earnings statements but the decline was concealed in the generally favorable picture for the year, as a whole. However, while business conditions in the initial quarter of the current year continued to grow less favorable, the drop in earnings reported was by no means proportionate, speaking generally. Actually, not a few companies showed an increase in earnings both as compared with the final and first quarters of 1953. It is this fact which stands out in an analysis of earnings for the first quarter. That the majority of companies, on the other hand, experienced a decline in earnings should come as no surprise. A few of the declines (please see table) were quite substantial and several deficits appeared.

Factors Maintaining Earnings

While a more definitive opinion as to the earnings trend must necessarily await publication of additional reports, it is apparent that the following groups are faring well: paper, chemicals, aircraft, electrical, and cement. Earnings of building companies, surprisingly, did not hold up too well, considering the strength of the construction industries. However, since the tabulation in this analysis includes only several of the major building companies it will not be possible to ascertain the broad direction of the group's earnings trend, until more reports are published.

A general analysis of the reports at hand indicate that where earnings have been maintained or increased during the first quarter, two main factors were at work: one, the lapse of EPT, which has had a strong effect on the earnings of companies largely engaged in defense work; and, two, extensive cost-cutting, largely as a result of eliminating expensive over-time work. In addition, the greater stability of raw and semi-finished products contributed to maintaining a reasonably adequate profit margin, despite the decline in sales, in many cases.

Of especial significance to investors is the fact that despite the general decline in per share earnings for the first quarter, dividends were covered by from wide to fair margins, attesting to the fact that in recent years dividend rates were kept at substantially conservative levels. Were it not for this sound policy, dividend coverage would now be uncomfortably close in many cases.

In the next issue, we will present a more exhaustive analysis of first quarter returns. In the meantime, we give a brief analysis of a number of representative earnings reports:

EX-CELL-O-CORP. In the first quarter of this year (fiscal period ends Feb. 28) this company registered an extremely sharp gain in earnings, which were $3.25 a share on sales of $26.2 million, compared with earnings of $2.10 a share on sales of $24.8 million in the corresponding period of last year. Two factors accounted for the earnings gain. The most important, by far, was the saving of approximately $1.20 a share in excess profits taxes. The other was the $1.4 million increase in sales,

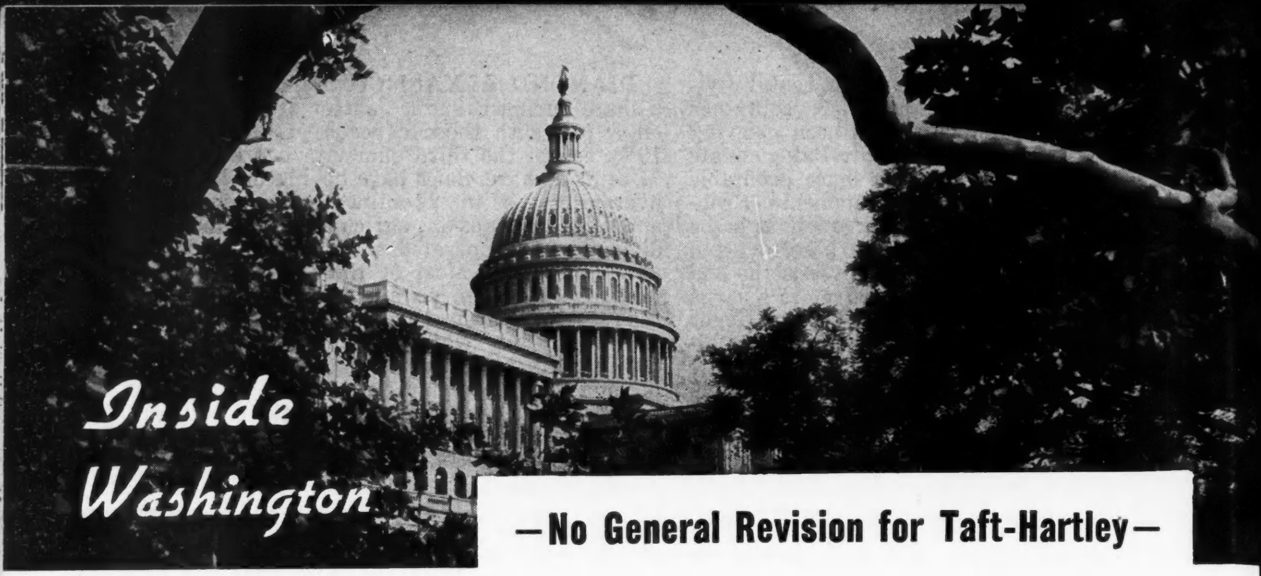
arising largely from the increase ini ts rental division. This division, which rents automatic container equipment to the dairy industry, has been growing rapidly. While total revenues from Pure-Pak amounts to only 14% of total gross, it is a more profitable end of the business than other components. Probably, the greatest potentiality for growth is to be found here. It is anticipated that machine tool and aircraft part sales may turn down towards the end of the year. However, this will be offset to a large degree by the fact that the company will no longer pay excess profits taxes. Since the company has already earned $5.74 a share in the first half of the fiscal year, it is reasonable to expect that a minimum of $9 a share will be earned for the full year, compared with $7.76 a share in 1953 and $7.72 a share in 1952.

DIAMOND ALKALI CO. Earnings of 53 cents a share during the first quarter of 1954 were about on a par with those of each previous quarter in 1953, except the third quarter when earnings were 77 cents a share. Sales have held remarkably steady, averaging close to $22 million a quarter. Except for a decline in sales of agricultural chemicals, other divisions have operated satisfactorily, especially in newer products. Most of the company's expansion program has been completed, and benefits are already being obtained from the opening of the new Houston plant, which was the major part of a $10.7 expansion program undertaken in 1953. Another factor in maintaining sales volume was an increase in prices for some basic products. This was offset to some extent by a drop in the price for insecticides which was *(Please turn to page 199)*

Quarterly Comparison of Sales and Earnings

	1954		1953							
	1st Quarter		4th Quarter		3rd Quarter		2nd Quarter		1st Quarter	
	Net Sales (Millions)	Net Per Share	Net Sales (Millions)	Net Per Share	Net Sales (Millions)	Net Per Share	Net Sales (Millions)	Net Per Share	Net Sales (Millions)	Net Per Share
Avco Mfg.	$ 94.6	$ .17	$102.0	$ .02	$ 93.2	(d) $ .03	$102.7	$ .04	$116.6	$ .31
Container Corp.	43.6	2.10	46.0	1.24	48.3	1.30	47.5	1.21	45.2	1.18
Crown Cork & Seal	28.8	.28	27.0	.38	30.1	.31	27.4	.24	22.1	(d) .13
Devoe & Raynolds "A"	9.7	.006	11.9	.63	13.2	1.08	13.5	1.03	10.1	.32
Diamond Alkali	22.1	.53	21.2	.49	22.0	.50	21.8	.77	21.7	.56
Dow Chemical	99.3	.32	102.1	.30	110.5	.43	118.2	.47	107.2	.35
Eagle Picher	15.0	.32	18.5	.76	21.1	.71	22.2	1.17	23.2	.64
Eaton Mfg.	46.7	1.45	44.7	1.07	47.3	1.27	53.7	1.51	55.1	1.56
Elliott Co.	10.2	.92	11.1	.97	9.9	.97	11.3	1.00	10.0	1.23
Ex-Cell-O Corp.	26.2	3.25	26.1	2.49	21.9	1.79	24.6	1.38	24.8	2.10
Flintkote Co.	18.2[1]	.45[1]	17.9[1]	.80[1]	24.5[1]	1.10[1]	30.0[2]	1.30[2]	17.6[1]	.53[1]
General Bronze	5.8	.67	7.3	1.05	6.6	.89	6.1	.90	5.7	.68
General Portland Cement	7.4	1.32	7.2	1.40	7.8	1.33	7.9	1.17	7.4	1.23
General Tire & Rubber	44.4	1.46	54.5	1.53	54.9	1.60	51.7	1.57	44.1	1.18
Gleaner Harvester	1.1	.32	.5	.02	.9	.27	1.4	.41	1.2	.31
Kaiser Alum. & Chem.	55.8	(d) .07	59.4	.05	56.0	.26	59.3	.67	45.3	.28
Kelsey-Hayes Wheel	30.6	.85	30.3	1.03	39.0	1.61	37.7	.79	31.7	.71
Lehigh Portland Cement	10.1	.56	14.1	.90	18.4	1.11	15.4	.87	10.5	.44
Masonite Corp.	9.4	.29	9.8	.30	11.8	.94	12.2	.71	10.6	.44
Monsanto Chemical	83.3	1.01	82.6	1.25	82.7	1.15	89.7	1.43	85.5	1.08
Mueller Brass	11.4	.99	11.4	.68	15.2	1.39	18.0	1.88	15.9	1.55
Mullins Mfg.	12.4	.27	16.4	.57	19.9	.62	16.5	.50	17.5	.75
New York Air Brake	9.3	.81	11.5	.57	10.1	.75	10.6	.78	9.6	.74
Raytheon Mfg.	45.0	.47	43.9	.32	37.2	.38	49.1	.25	51.2	.60
Republic Aviation	44.2	.76	103.7	1.31	119.8	2.14	90.7	1.66	97.5	1.56
Republic Steel	214.4	1.79	250.2	2.22	292.6	2.31	309.2	2.46	292.9	2.26
Rohm & Haas	31.6	2.99	30.4	1.56	28.2	1.54	32.1	1.86	28.8	1.70
St. Regis Paper	50.0	.70	51.7	1.09	46.8	.54	52.5	.61	49.2	.70
Shamrock Oil & Gas	8.7	1.21	8.9	1.03	8.9	.89	8.0	.91	8.0	1.01
Twin Coach	9.6	.40	10.1	.73	8.5	.20	8.1	.22	8.3	.27

d—Deficit   1—12 Weeks.   2—16 Weeks.



—No General Revision for Taft-Hartley—

By "VERITAS"

REVISION of the Taft-Hartley labor-management law is, in one respect, on par with return of the United States to the gold standard: each has respectable support but even the sponsors would be surprised by attainment of the goals right now. Repeal of the law, a long time objective of the labor unions and their Capitol Hill spokesmen, has vanished from Washington discussions (it never was an inspiring topic in meeting halls throughout the country where the rank-and-file union membership looks to more immediate advantages and gives little time to legal philosophy). But just as those who had hoped to amend the teeth out of the statute are headed for disappointment, those who want it more rigidly drawn see their objective fading.

> **WASHINGTON SEES:**
>
> There will be neither "another Munich," nor "another Korea," in this country's handling of Indo-China and related problems, sources in the most intimate contact with the White House give assurance.
>
> President Eisenhower is completely at home with the joint problems of military and diplomatic action. He's on familiar ground, drawing on experience and aided by Pentagon and State Department personalities and teams that have been at his side when other weighty decisions were made.
>
> It is reliably reported that the President exudes confidence on the issue of joint action, and that dissident voices will not be allowed to tip the international applecart. There seems to be Capitol Hill impression that this nation needs only to pull up a chair at the conference table, present a digested plan of action, and that's all there is to it. It isn't quite that easy; especially when active participation in war involves countries which have seen it on their home grounds.
>
> Ike is pictured as convinced that there is no present hope of avoiding some armed intervention and that it is just a matter of how far it must go, how strong the support from other countries will turn out to be. But there will be no give-away, as at Munich. Also, the President is reported already to have mapped the type of intervention: sea and air, but no ground troops from the United States.
>
> Unlike his predecessor, President Truman who moved into Korea and then advised congress, Ike intends to go before congress and seek indorsement before he takes any steps. Steps, that is, short of required by another Pearl Harbor—which is not in sight. But he won't go to Capitol Hill until the need, in his opinion, is indisputable.

BASIC FACT is that labor and management are getting along rather well under the law. There have been some errors of application and interpretation and the courts have had to set the NLRB straight on what the Act means. The need for some amendments has been apparent but even the urge of White House support hasn't moved congress to require strike ballots before a walkout and that was at least the most dramatic if not the most important plank in Ike's labor message. He hasn't put up a very convincing campaign even on that. Sooner or later congress will get around to faster enforcement procedures on Board orders, tackle secondary boycotts, water down states rights provisions decentralizing jurisdiction.

PLAGUED by constant heckling from "organization men" at home who say that the Eisenhower Administration has not shown disposition to effect the "change" they believe the public voted for (meaning in the precinct halls, plainly, the spoils system), congressmen are intensifying their efforts to expand job-dispensing in time to have it count at the election booths. The average citizen's interest is in competent men, regardless of politics but always with the thought in mind that men of the President's own party are more eager to enact and administer his program. Senator Dirksen of Illinois, has taken the lead: He's asked Civil Service Commission exactly how many jobs outside civil service requirements are available or can be made so.

SELF PROCLAIMED watchdogs of the public treasury must have been cozily napping for several years, else how can the Federal Housing Administration's laxity, or worse, be explained?

As We Go To Press

The improvement in economic conditions already noted and likely to increase has moved the "are you better off today?" issue back to the top of republican political planning, riding tandem with whether the President has success in getting through a legislative program. Ike hasn't been singularly successful on the legislative program, and that remains the big "if" today. But his Capitol Hill leadership is hopeful -- so much so, in fact, that the planned July 1 adjournment date has been written off by both houses. Speaker Martin and Majority Leader Knowland agree that more time will be needed to complete action on parts of the White House plan which must be on the books if a successful legislative season is to be claimed. The House, Martin thinks, can do its part of the work in an additional three weeks; Senator Knowland rounds it out at one extra month, to July 31st.

The House moves faster than the Senate. That isn't attributable to any lazy motion. And there's no ready cure. All appropriations bills must originate in the House and therefore the other chamber marks time until this major job is out of the way. Also the Senators have the use of the floor for as long as they want, can filibuster, and they can get leagues away from the topic under discussion whereas House speeches must be "germane" unless those present unanimously agree to wander off. There's good strategy in announcing this early that all the lawmakers will be kept in Washington longer than they had planned. All but about 60 of the 531 must get into active campaigning for re-election with quite a number of them facing primary elections before the November balloting and they need time for fence-mending. The threat of being held until they finish their jobs will make for speed.

President Eisenhower is satisfied with the progress, he publicly says. He has submitted his blueprints and specifications and has impressed upon the public that the republican party must enact the program in substantial fullness if it lays claim to the right to remain in control. The White House isn't insistent that every last detail be followed -- there's no "must" list. In fact action on the excise tax repeal-reduction measure went rather far from Ike's policy, yet was approved. That must not be taken by the congressmen to mean that every deviation will get by; in the case of excises, the President had to sign the bill or the Treasury would lose annual incomes of $5 billions, under the terms of the Revenue Act which fixed April 1 expiration dates for "Korea" taxes on liquors, tobacco and other heavy contributors.

Politically, the GOP goes toward the November election troubled by political history more than by vote-getting weakness. The party in power always expects to lose seats in both houses in an off-year election -- has lost them in every trial but one in the past half century. Usually the "in's" can afford to give up some places without seriously threatening control. This year the GOP cannot surrender a net of one senator; otherwise the democrats take control. In the House, where an off-year winning score of added seats is about average for the "out's," loss of five would relegate the republicans to minority position.

A party program is viewed, coldly, by the electorate. Very much like a horse race: it's the standing at the finish line that accounts for the payoff; the "stretch run" may look good, or bad, but it really doesn't count anyway. However, the Eisenhower program is doing very well in the stretch. With the knowledge that they must show something for the time spent in Washington if they wish to return, congressmen are likely to cultivate what is to most of them their strongest political argument: "I supported Ike." In fact that's still so good that many democrats have been falling in line; without, it might be added, any caucus agreement to go along. The President cannot count more than half a dozen of his proposals now as completed bills, but most of them have advanced well along the legislative route. It's not uncommon for congress

to pass a dozen major laws in the final week of a session: bills completed in committee and waiting on the calendar; measures delayed in senate-house conferences; legislation which is uncontroversial, formal but essential.

It has been significant that the democrats have made no drive against White House action and very little against individual members of congress. Senator Joseph McCarthy might be an exception to that statement. But he isn't even running. The only congressman publicly frowned on by the Democratic National Committee is Condon of California, a Democrat, who, Chairman Stephen Mitchell says, should withdraw. And, of course, there's democrat James Roosevelt who, Mitchell proposes, shouldn't run. Democrats naturally appraise with glee the family fights within the republican party, can point to the fact that Ike couldn't have done as well as he has if the demmies hadn't filled gaps left by republicans. And they're viewing the economic situation with uncommon interest, realize it must improve greatly or the GOP will be punished.

While the Randall Report on foreign trade is being booted about in controversies which, like some other Washington situations, "heartily agree on the ends, but dislike the methods," there are hopeful signs on the horizon. Revenue Act changes to give tax incentives for American investments abroad, both for productive and distributive facilities, seem to be receiving sympathetic hearing before the house committee and are believed to be equally favored on the other side of the Capital. The trade-with-Russia and satellite countries movement is not moving forward without suspicious questioning, but it hasn't been discarded. Without doubt the skepticism will be an invaluable aid in constructing protections.

Convinced that agricultural trade possibilities south of the border haven't been adequately explored, Agriculture Secretary Ezra T. Benson is moving on that front. Farm economists and marketers have been in conference here on the European and Asian possibilities. Now Benson has added Latin America to the market studies. With the rank of consultant to the Secretary of Agriculture these aides will move into the field for the first thoroughgoing inquiry. In the past there have been many studies, always in isolated areas and with no information on which to knit a program.

One of the objectives of the Bricker Amendment has been met by congress through its controls on the purse-strings. The Mexican labor import program involved an international treaty and, naturally, the expenditure of funds to make possible its policing. The congress carefully examined the philosophy of the deal to bring needed farm labor into the United States, scrutinized the language for possible infringement on the immigration act, and determined to its satisfaction that the laws of no state would be superseded by treaty provisions or ordinances of Mexico. Satisfied on these points, the congressmen voted the funds.

Congress would like to solve the troublesome problem of butter oversupply, but don't seem anxious to go as far as the National Creameries Association, the Butter Institute proposals. Their recommendation, at House Hearings, would make the Federal Government the monopoly buyer of all domestically-produced butter. Under the plan, the government would buy all domestic butter production, resell it to dairy products manufacturers at low prices. Manufacturers would be enabled to sell butter at free market levels, and price support levels would be maintained through prices paid by the government to producers. The existing surplus wouldn't move to market at prices above 45 cents a pound, it is agreed. The proposal would result in heavy initial loss but consumers would recapture some in the form of lower prices.

Private industry has been coming to the aid of federal agency heads holding the line against costly wage increase at the expense of severe criticism (and some downright abuse), from "labor congressmen." Pay raises in an election year are taken for granted by union leaders who feel they need only to make their bi-ennial pitch, to hold government workers in the dues-paying unions which cannot call strikes without violating federal statutes.

INDO-CHINA CRISIS POINTS TO DANGER OF LOSS IN STRATEGIC MATERIALS

By H. WERNER

If only Indo-China were involved in the present conflict between the free world and the communists in Southeast Asia we might not be contemplating drastic steps to support the French in their struggle. Our dilemma stems from what President Eisenhower has recently called the "falling domino" principle. "You had a row of dominoes set up, and you knocked over the first one, and what would happen to the last one was the certainty that it would go over very quickly. So you could have a beginning of disintegration that would have the most profound influences". Indo-China is a part of Southeast Asia. The other "dominoes" are Thailand, Burma, Malaya, Indonesia, and the Philippines. The population of this crucial area is somewhat larger than that of the United States.

Our economic and strategic interests in Southeast Asia are immense. While the present situation in Indo-China is critical enough, even more important is the fact that it highlights our increasing dependency on foreign sources of vital raw materials. In effect, the United States has become a "have-not" nation so far as many important metals and other products are concerned. If we were shut off from coffee, tea and cocoa, our lives would be made most uncomfortable but we could survive, but if we were shut off from such thing as sperm oil, tung, cocoanut and many other oils obtainable only abroad, our industries would suffer and our economy injured. In such items as Manila hemp and sisal, for example, our dependence on foreign sources is absolute. We are increasingly dependent on foreign copper, lead and zinc.

There are only two metals in which we are completely self-sufficient: molybdenum and magnesium. Of the hundred materials that we use, we must import one third, we produce part and import part of another third, and are self-sufficient in the last third.

The U.S. Bureau of Mines has found that 38 minerals are vital to U.S. industry. We are self-sufficient in only 9 of them. Tin and industrial diamonds are completely imported. We obtain from foreign sources 47 per cent of our lead; 41 per cent of our copper; 34 per cent of our zinc. We buy 75 per cent of our apparel wool abroad. Our synthetic rubber plants can produce half as much rubber as the outside world grows; but synthetic rubber is not a complete substitute for the crude product. All the crude rubber we import comes from Malaya, Indonesia, and Thailand. We import 90 per cent of our manganese and cobalt. Of our tungsten we import 65 per cent, in which Thailand and Bolivia participate. A part of our tin comes from Malaya.

A medium-sized tank requires 1,915 pounds of chromium, all of which is imported; 950 pounds of manganese (93% imported); 520 pounds of nickel (99%); 100 pounds of tin (100%); 6,512 pounds of bauxite (65%); and 1,418 pounds of copper (42%). Thirteen pounds of manganese are needed to produce one ton of steel. Of these, only two pounds are domestically produced. We import fifteen per cent of our petroleum.

But these figures reflect only our present dependency on foreign sources. Our consumption of raw materials is steadily increasing. The over-all consumption of materials in the United States in 1950 was approximately five times consumption in 1900. Two years ago the President's Material Policy Commission (Paley) made estimates of the presumptive needs of the American people in 1975. The Commission found that the quantity of most metals and minerals used in the U. S. since the first World War exceeds the total used throughout the entire world in all of history preceding 1914. Our over-all material requirements are expected to be some fifty to sixty percent larger in 1975 than in 1950. Then we had to import about 10 per cent of the raw material we used; it should be 20 per cent (valuewise) in 1975.

Our petroleum will be exhausted in less than a century. Pessimists give it only twenty more years. As percentage of known reserves U.S. petroleum pro-

duction was 8% of known reserves in 1950, as against 3.2% in other free countries. The correspondent figures for iron ore read 5.9% vs. .18%.

In order to get the copper we shall probably need, we ought to increase our copper investments abroad by $100 million a year. All the copper ever discovered in the U. S. would last only 25 years at the rate of consumption projected for 1975; all the lead would last only 18, all the zinc only 30 years. And if all the nations of the world should achieve the same standard of living as our own, the resulting world need for materials would increase to six times present consumption. The consumption of almost all materials is expanding at compound rates and is pressing harder and harder against the world's resources.

Indo-China, Thailand, and a part of Burma are the greatest exporters of rice. They feed many other parts of Asia, including Japan. Before the second World War Indo-China alone furnished 25 per cent of the world's export rice. It is not difficult to realize what the shutting off of rice from Southeast Asia—in the event the communists took over—would mean to Japan. Without firing a shot, the Communists would not have too much difficulty in convincing the Japanese that their future lay with the Communist bloc, with what effects on the position of the U. S. and the free world can well be imagined.

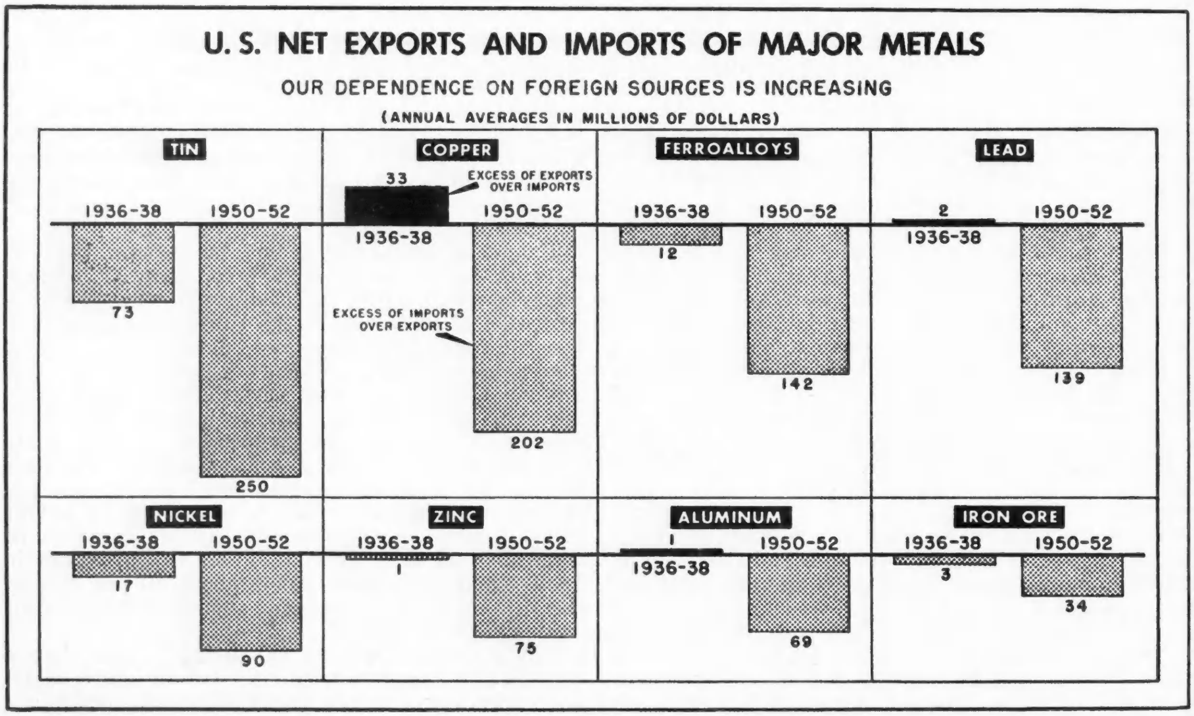
The principal export crops of Southeast Asia are rubber, tobacco, tea, coffee, and sugar. The area contains oil, tin, chromite, nickel, bauxite, tungsten, and manganese. Thailand alone is responsible for between nine and ten per cent of the world's tin output. 95% of the world's crude rubber, 55% of its tin, and 55% of its rice come from Southeast Asia. We import part of our tungsten from Thailand. Tungsten is needed in tools. If our supply were cut off, one authority maintains that the manufacturing capacity of U. S. industry would be cut in half.

Before the first World War and to a lesser extent before the great depression private capital in the United States, Great Britain, and other capital exporting countries made great investments in the production of raw materials abroad. The economic development of many Asian, African, and Latin American countries was the result of foreign private investments. This, however, is no longer the case.

Serious Investment Problems

There are a variety of sound reasons for the presently prevailing pessimism regarding investments in foreign countries. One is the uncertainty of the future value of some of the materials. As stated in the Paley Commission report: "A chemist makes a crucial discovery, and the resource base for the production of women's stockings shifts from mulberry leaves in Japan to bituminus coal underlying West Virginia." Another reason is to be found in the conviction of some of the capital importing countries that they have relied to a dangerous degree in the past on the promotion of certain raw materials or foodstuffs to the detriment of other lines of production. The economic and political instability of the tin and the banana republics has become notorious. But the most important factor is the nationalistic legislation of many countries which is openly directed against foreign capital and management as such and their real or imaginary influence.

Many currencies, in fact most of them, are nowadays inconvertible. There are restrictions on the remission of capital and earnings and multiple exchange rates involving unfavorable rates at which earnings and capital may be repatriated. The entry of capital is controlled; so is in many countries the conduct of business. There are limitations on the percentage of management personnel and the ownership which the investors may hold. Sometimes there is the risk of outright (*Please turn to page* 194)



10 ★ ★ ★ Potential MARKET LEADERS for 1954

By THE MAGAZINE OF WALL STREET STAFF

(*Editor's Note*: *We present this feature in two parts, the first of which, in this issue, gives our first four selections, the remaining six to appear in the next issue.*)

Our special feature "Potential Market Leaders" has appeared annually for many years and is much sought after by investors, not only because it selects the stocks which seem to offer better-than-average promise for market performances but also because it offers investors an opportunity to obtain a satisfactory vehicle for income return. This is worth-while in a market in which so many stocks of good quality now yield comparatively small returns. Since most investors seek a reasonably good return, as well as appreciation, we feel sure that we are justified in stressing this feature of the "10 potential market leaders."

At first glance, it would no doubt occur to our readers that we must have had an abundant list of suitable stocks from which to choose for our selections. Nothing could be further from the truth as evidenced by the high market levels to which many well-known issues have advanced in recent months. However, by carefully sifting the possibilities among that rather small number of remaining stocks which are still available at attractive prices, we have finally chosen the ten which are presented in this and the next issue of the Magazine.

As has been our policy for many years, recommendations have been based on all available data and information such as: earnings record in recent years; competitive position; financial position, dividend record and prospective margin of earnings over dividends. Due attention also has been paid to technical considerations, such as the daily volume of transactions and type of action in days of general market strength or weakness.

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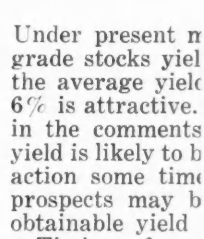


Decentralization of Major Companies

Partial List of Plants	Principal Products
E. I. duPont de Nemours	
Newport, Del.	Titanium metal
Memphis, Tenn.	Hydrogen peroxide, sodium cyanide
Beaumont, Tex.	Poultry feed supplement
Starke, Fla.	Ilmenite, raw material for titanium metal
Kingston, N. C.	"Dacron" polyester fiber
Martinsburg, W. Va.	
Circleville, Ohio	"Mylar" polyester transparent film
Orange, Texas	
Ecorse, Mich	
Philadelphia, Pa.	Industrial and agricultural chemicals, etc.
St. Louis, Mo.	
Niagara Falls, N. Y.	
Toledo, Ohio	
Together with its more than 50% owned subsidiaries, duPont de Nemours has about 80 plants in 26 states, three plants in Mexico, and one in Chile.	
Goodyear Tire & Rubber	
Jackson, Mich.	Tires and tubes
Topeka, Kans.	Tires
Cumberland, Md.	Tires and tubes
Los Angeles, Calif.	Tires, tubes and rubber products
Lincoln, Nebraska	Industrial rubber products
New Bedford, Mass.	Rubber products
Gadsden, Ala.	Tires, tubes and shoe products
St. Marys, Ohio	Molded rubber goods and pliofilm
Rockmart, Ga.	Textile and rubberized fabrics
Niagara Falls, N. Y.	Chemicals
Akron, Ohio	Aero and rubber products
Operates a total of 22 plants in 12 states, 4 in Canada, and one each in Java, Sweden, South Africa, Peru, Cuba, Brazil, Argentina, Colombia, Australia, Mexico, England and Luxembourg. Also operates a cotton plantation in Arizona and rubber plantations in Costa Rica, the Philippines and Sumatra.	
United States Steel	
Gary, Ind.	
So. Chicago, Ill.	
Pittsburg, Calif.	
Los Angeles, Calif.	
Worcester, Mass.	Raw steel and finished steel products. Output of certain plants include coal chemicals such as ammonium sulphate, crude naphthaline, tar and light oils.
Birmingham, Ala.	
Cleveland, Ohio	
Morrisville, Pa.	
Ironton, Utah	
So. San Francisco, Calif.	
Pittsburgh (area), Pa.	
The above grouping is considerably condensed but shows strategic location of steel plants to serve every section of the nation. Not included are cement plants and other process mills, and raw materials properties.	
Aluminum Co. of America	
Bauxite, Ark.	Bauxite refineries
E. St. Louis, Ill.	Bauxite refineries
Mobile, Ala.	Bauxite refineries
Alcoa, Tenn.	
Badin, N. C.	
Massena, N. Y.	
Pt. Comfort, Tex.	Smelters
Wenatchee, Wash.	
Also operates 18 plants in 14 states for fabricating aluminum into mill or other products.	
Union Carbide & Carbon	
Niagara Falls, N. Y.	
Alloy, W. Va.	
Portland, Ore.	Alloys and metals
Ashtabula, Ohio	
Marietta, Ohio	
Texas City, Texas	
Whiting, Ind.	
Bound Brook, N. J.	
Niagara Falls, N. Y.	Chemicals and plastics
Leach, Ky.	
Torrance, Calif.	
Red Oak, Iowa	
Cleveland, Ohio	Electrodes, carbons and batteries
Charlotte, N. C.	
St. Albans, Vt.	
Operates over 200 plants in the United States and Canada.	

(*Continued from page* 157)

new Venezuelan mines to the new mills. An entire new community of some 30,000 has been built up around this development and this is destined to attract many new industries.

The great retail establishments have also kept pace with the opening up of new regions. In the lead have been such concerns as Sears, Roebuck, Federated Department Stores, Kroger Co. and Safeway Stores. It is obvious that merchandising concerns such as these and others which have been expanding along similar lines have greatly widened the base of their operations and that, in effect, they have guaranteed themselves and ever-increasing source of total revenue, regardless of whether an individual region in which they are located fares well or not.

Guaranteeing More Stable Operations

This guarantee of stability of operations, through the extension of plant and retail outlet activities through rapidly growing regions, lays a much firmer foundation under earnings and dividend payments than was possible as recently as a decade ago. Forward-looking corporations realize that by 1975, the population of the United States will be somewhere in the neighborhood of 210 millions, compared with the present approximately 160 millions. But, since this population will be spread more evenly throughout the country, with hundreds of new communities still to be born, it is clear that current expansion into new regions, great as it is, is merely the beginning of an enormous transformation into the economic life of the country—barring a major war in which we are involved—and likely to last for a generation.

It should also be realized that the expansion is in two directions: one, into new regions in the South, Southwest, West and Northwest; and two, into suburban regions clustered around our major cities, East a swell as West. This latter has been an important development on its own and has created a demand for local service on an unprecedented scale. The entire merchandising industry has become involved in this suburban development, as witness the opening up of all manner of new stores, branch banks, and service establishments of all kinds. The new revenues derived from these sources by companies opening up branches tends to compensate for any loss of their older establishments in communities that have become too congested for economic operation of business.

In a sense, the opening up of new communities, West or East, has simplified the problem of distribution costs for manufacturers as they are forced to develop outlets in close vicinity to these new communities. In an era of high transportation costs, this is an important item. Transportation costs, including rail, truck, parcels post and railway express are an important factor in causing industry to set up new plants at various points to shorten the distance between the point of manufacture and distribution points and markets. One of the reasons for the difficulties of many New England manufacturers, for example, is that they are so far away from the principal centres of industrial activity and sources of raw materials that transportation costs from raw material to finished product to and from the manufacturing location places them at a disadvantage with competitors more favorably situated.

There are other important factors involved in new plant location. For example, the selection of the

South as a cite for a new plant or point of distribution has enabled corporations to take advantage of relatively lower labor costs. It has been possible for some manufacturers moving South to save on payroll and increase productivity, at the same time.

Access to Raw Materials

The same consideration as to cost reduction apply to the growing tendency of manufacturers to select sites close to sources of the raw products they require for their manufacturing operations. Greater accessibility to fresh sources of supply of raw materials provides two advantages; one, reduction in the cost of transportation and, two, increased availability of supplies as compared with older sources that have been in process of being used up. This also permits greater continuity of plant operation.

An indication of what the rapid expansion of corporations means to certain railroads may be found in illuminating information published by the Southern Pacific and Southern Railway, both operating in regions becoming heavily industrialized. Southern Pacific states that in 1953 alone, there was a gain of 444 new carloading producing industries and that 125 companies had completed major expansion programs. Along the Southern Railway route, there were additions in 1952 (later figures are not available) to 114 existing plants, representing an aggregate investment of over $1 billion. Many other new facilities were built in the system's territory during the year. There is no doubt that further expansion here occurred in the past year and that it will continue for some years to come.

Accessibility to location of raw materials has been chiefly responsible for rapid development of the chemical and petrochemical industries around the Gulf Coast. At the same time, due to climatic and similar conditions, greater continuity of operations, at less cost, has been accomplished.

Other factors involved in the relocation and decentralization of industry are state or local taxes, accessibility to seaports and lakeports, power, water availability (an increasingly important requirement for many industries), and community living conditions, both with respect to climate and recreation.

It should be obvious that the conditions under which corporations locate their establishments to-day —and this includes adequate living facilities for workers and office help as well as plants, warehouses, distribution points, transport and offices—requires the utmost in scientific examination of the problems involved, as well as potentialities for profit. Under the most efficient auspices, this should provide far more economic administration and operation than was possible under the more or less haphazard planning characteristic of an earlier age in American growth. Since the cost factor is becoming more important than ever in company operations, it is probable that the burgeoning of industry in the United States is likely to reduce the cost of operation wherever the location of plants and business establishments has been accomplished under modern, scientific lines. This is one of the strongest assurances to an investor that his company can maintain earnings on a scale sufficient to provide for uninterrupted dividends.

We have sketched in the background for the rapid decentralization of corporations in America, and the consequent widening of (*Please turn to page* 201)

Other Examples of Diversification

Plants and Products

Armco Steel Corp.

Together with wholly-owned subsidiaries operates 9 steel plants in 7 states and 42 fabricating plants in 26 states. Also operates 6 fabricating plants in 6 Canadian provinces and one plant in each of 10 Latin American and 9 overseas countries. Output consists of a wide range of products, coke, coal, coal chemicals.

Allis-Chalmers Co.

Operates 11 plants in 9 states with varied output consisting of agricultural machinery and equipment, a wide range of industrial machinery and equipment, electrical equipment. An additional plant produces internal combustion engines of all types. Also operates 2 Canadian plants. A wholly-owned subsidiary produces agricultural equipment at a plant in Essendine, England.

American Cyanamid Co.

Its 33 plants, located in 21 states, produce a vast number of industrial and agricultural chemicals, industrial explosives, pharmaceutical and biological products, synthetic resins, plasticizers, etc. Also operates four Canadian plants, and one each in Mexico, India and Australia.

American Can Co.

Principal plants include more than 50 located in 22 states for the manufacture of tin cans, metal packaging and metal specialties; 4 paper milk container plants located on the east and west coasts. Also has 7 plants for manufacture and repair of can making machinery.

Beneficial Loan Corp.

Has 717 branch offices operating in the small loan field in 42 states. Also operates 92 similar branches located throughout all of Canada.

Dixie Cup Co.

Economical distribution of paper cups and food containers is achieved through six plants located in east coast, midwest, and west coast areas. Another plant is located in Ontario, Canada.

Federated Department Stores

Owns 12 major department and specialty stores, together with 19 branches located in 9 states from Maine, New York through the midwest to Texas and California.

General Electric Co.

With its domestic manufacturing subsidiaries has more than 132 plants located in 26 states, producing an extremely varied line of products. A wholly-owned subsidiary operates 12 plants in Canada.

Sylvania Electric Products

Has 35 plants located in 11 states producing various types of lamps, radio and television equipment, electronic components, military electronic equipment, radio and TV receiving sets, germanium and silicon metal and high purity chemicals.

Westinghouse Electric

The company's 46 plants, exclusive of 8 devoted to defense products, are located in 18 states. Output ranges from lamps to large power generators and include electrical equipment for industry and electric appliances for the home.

1954 1st QUARTER EARNINGS

What Reports Reveal As to Individual Company Prospects

By WARD GATES

PART I

No corporate earnings reports in recent years have been awaited with so much interest by investors as those for the first quarter of this year as this was the first opportunity of determining the actual effects of the business turndown in terms of per share earnings. While a conclusive number of earnings reports for the period have not been published as yet and a final determination as to the trend will, therefore, have to await analysis of additional statements (to appear in Part II in the May 15 issue) we should judge, tentatively, that earnings for the most part held up surprisingly well, under the circumstances; or at the worst, were less disappointing than expected.

It had been expected that a sharp drop in earnings would continue to follow the decline in production and sales which became quite visible as far back as last September. This was noted in our analysis of fourth quarter 1953 earnings statements but the decline was concealed in the generally favorable picture for the year, as a whole. However, while business conditions in the initial quarter of the current year continued to grow less favorable, the drop in earnings reported was by no means proportionate, speaking generally. Actually, not a few companies showed an increase in earnings both as compared with the final and first quarters of 1953. It is this fact which stands out in an analysis of earnings for the first quarter. That the majority of companies, on the other hand, experienced a decline in earnings should come as no surprise. A few of the declines (please see table) were quite substantial and several deficits appeared.

Factors Maintaining Earnings

While a more definitive opinion as to the earnings trend must necessarily await publication of additional reports, it is apparent that the following groups are faring well: paper, chemicals, aircraft, electrical, and cement. Earnings of building companies, surprisingly, did not hold up too well, considering the strength of the construction industries. However, since the tabulation in this analysis includes only several of the major building companies it will not be possible to ascertain the broad direction of the group's earnings trend, until more reports are published.

A general analysis of the reports at hand indicate that where earnings have been maintained or increased during the first quarter, two main factors were at work: one, the lapse of EPT, which has had a strong effect on the earnings of companies largely engaged in defense work; and, two, extensive cost-cutting, largely as a result of eliminating expensive over-time work. In addition, the greater stability of raw and semi-finished products contributed to maintaining a reasonably adequate profit margin, despite the decline in sales, in many cases.

Of especial significance to investors is the fact that despite the general decline in per share earnings for the first quarter, dividends were covered by from wide to fair margins, attesting to the fact that in recent years dividend rates were kept at substantially conservative levels. Were it not for this sound policy, dividend coverage would now be uncomfortably close in many cases.

In the next issue, we will present a more exhaustive analysis of first quarter returns. In the meantime, we give a brief analysis of a number of representative earnings reports:

EX-CELL-O-CORP. In the first quarter of this year (fiscal period ends Feb. 28) this company registered an extremely sharp gain in earnings, which were $3.25 a share on sales of $26.2 million, compared with earnings of $2.10 a share on sales of $24.8 million in the corresponding period of last year. Two factors accounted for the earnings gain. The most important, by far, was the saving of approximately $1.20 a share in excess profits taxes. The other was the $1.4 million increase in sales,

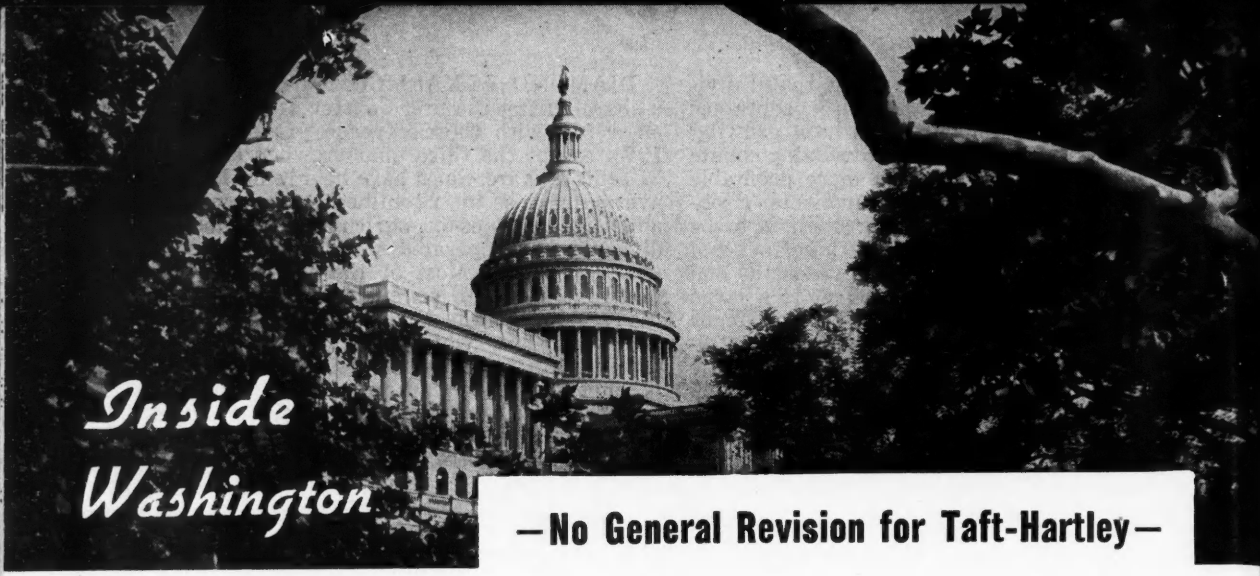
arising largely from the increase ini ts rental division. This division, which rents automatic container equipment to the dairy industry, has been growing rapidly. While total revenues from Pure-Pak amounts to only 14% of total gross, it is a more profitable end of the business than other components. Probably, the greatest potentiality for growth is to be found here. It is anticipated that machine tool and aircraft part sales may turn down towards the end of the year. However, this will be offset to a large degree by the fact that the company will no longer pay excess profits taxes. Since the company has already earned $5.74 a share in the first half of the fiscal year, it is reasonable to expect that a minimum of $9 a share will be earned for the full year, compared with $7.76 a share in 1953 and $7.72 a share in 1952.

DIAMOND ALKALI CO. Earnings of 53 cents a share during the first quarter of 1954 were about on a par with those of each previous quarter in 1953, except the third quarter when earnings were 77 cents a share. Sales have held remarkably steady, averaging close to $22 million a quarter. Except for a decline in sales of agricultural chemicals, other divisions have operated satisfactorily, especially in newer products. Most of the company's expansion program has been completed, and benefits are already being obtained from the opening of the new Houston plant, which was the major part of a $10.7 expansion program undertaken in 1953. Another factor in maintaining sales volume was an increase in prices for some basic products. This was offset to some extent by a drop in the price for insecticides which was *(Please turn to page 199)*

Quarterly Comparison of Sales and Earnings

	1954		1953							
	1st Quarter		4th Quarter		3rd Quarter		2nd Quarter		1st Quarter	
	Net Sales (Millions)	Net Per Share	Net Sales (Millions)	Net Per Share	Net Sales (Millions)	Net Per Share	Net Sales (Millions)	Net Per Share	Net Sales (Millions)	Net Per Share
Avco Mfg.	$ 94.6	$ .17	$102.0	$ .02	$ 93.2	(d) $ .03	$102.7	$ .04	$116.6	$ .31
Container Corp.	43.6	2.10	46.0	1.24	48.3	1.30	47.5	1.21	45.2	1.18
Crown Cork & Seal	28.8	.28	27.0	.38	30.1	.31	27.4	.24	22.1	(d) .13
Devoe & Raynolds "A"	9.7	.006	11.9	.63	13.2	1.08	13.5	1.03	10.1	.32
Diamond Alkali	22.1	.53	21.2	.49	22.0	.50	21.8	.77	21.7	.56
Dow Chemical	99.3	.32	102.1	.30	110.5	.43	118.2	.47	107.2	.35
Eagle Picher	15.0	.32	18.5	.76	21.1	.71	22.2	1.17	23.2	.64
Eaton Mfg.	46.7	1.45	44.7	1.07	47.3	1.27	53.7	1.51	55.1	1.56
Elliott Co.	10.2	.92	11.1	.97	9.9	.97	11.3	1.00	10.0	1.23
Ex-Cell-O Corp.	26.2	3.25	26.1	2.49	21.9	1.79	24.6	1.38	24.8	2.10
Flintkote Co.	18.2[1]	.45[1]	17.9[1]	.80[1]	24.5[1]	1.10[1]	30.0[2]	1.30[2]	17.6[1]	.53[1]
General Bronze	5.8	.67	7.3	1.05	6.6	.89	6.1	.90	5.7	.68
General Portland Cement	7.4	1.32	7.2	1.40	7.8	1.33	7.9	1.17	7.4	1.23
General Tire & Rubber	44.4	1.46	54.5	1.53	54.9	1.60	51.7	1.57	44.1	1.18
Gleaner Harvester	1.1	.32	.5	.02	.9	.27	1.4	.41	1.2	.31
Kaiser Alum. & Chem.	55.8	(d) .07	59.4	.05	56.0	.26	59.3	.67	45.3	.28
Kelsey-Hayes Wheel	30.6	.85	30.3	1.03	39.0	1.61	37.7	.79	31.7	.71
Lehigh Portland Cement	10.1	.56	14.1	.90	18.4	1.11	15.4	.87	10.5	.44
Masonite Corp.	9.4	.29	9.8	.30	11.8	.94	12.2	.71	10.6	.44
Monsanto Chemical	83.3	1.01	82.6	1.25	82.7	1.15	89.7	1.43	85.5	1.08
Mueller Brass	11.4	.99	11.4	.68	15.2	1.39	18.0	1.88	15.9	1.55
Mullins Mfg.	12.4	.27	16.4	.57	19.9	.62	16.5	.50	17.5	.75
New York Air Brake	9.3	.81	11.5	.57	10.1	.75	10.6	.78	9.6	.74
Raytheon Mfg.	45.0	.47	43.9	.32	37.2	.38	49.1	.25	51.2	.60
Republic Aviation	44.2	.76	103.7	1.31	119.8	2.14	90.7	1.66	97.5	1.56
Republic Steel	214.4	1.79	250.2	2.22	292.6	2.31	309.2	2.46	292.9	2.26
Rohm & Haas	31.6	2.99	30.4	1.56	28.2	1.54	32.1	1.86	28.8	1.70
St. Regis Paper	50.0	.70	51.7	1.09	46.8	.54	52.5	.61	49.2	.70
Shamrock Oil & Gas	8.7	1.21	8.9	1.03	8.9	.89	8.0	.91	8.0	1.01
Twin Coach	9.6	.40	10.1	.73	8.5	.20	8.1	.22	8.3	.27

d—Deficit   [1]—12 Weeks.   [2]—16 Weeks.



—No General Revision for Taft-Hartley—

By "VERITAS"

REVISION of the Taft-Hartley labor-management law is, in one respect, on par with return of the United States to the gold standard: each has respectable support but even the sponsors would be surprised by attainment of the goals right now. Repeal of the law, a long time objective of the labor unions and their Capitol Hill spokesmen, has vanished from Washington discussions (it never was an inspiring topic in meeting halls throughout the country where the rank-and-file union membership looks to more immediate advantages and gives little time to legal philosophy). But just as those who had hoped to amend the teeth out of the statute are headed for disappointment, those who want it more rigidly drawn see their objective fading.

BASIC FACT is that labor and management are getting along rather well under the law. There have been some errors of application and interpretation and the courts have had to set the NLRB straight on what the Act means. The need for some amendments has been apparent but even the urge of White House support hasn't moved congress to require strike ballots before a walkout and that was at least the most dramatic if not the most important plank in Ike's labor message. He hasn't put up a very convincing campaign even on that. Sooner or later congress will get around to faster enforcement procedures on Board orders, tackle secondary boycotts, water down states rights provisions decentralizing jurisdiction.

PLAGUED by constant heckling from "organization men" at home who say that the Eisenhower Administration has not shown disposition to effect the "change" they believe the public voted for (meaning in the precinct halls, plainly, the spoils system), congressmen are intensifying their efforts to expand job-dispensing in time to have it count at the election booths. The average citizen's interest is in competent men, regardless of politics but always with the thought in mind that men of the President's own party are more eager to enact and administer his program. Senator Dirksen of Illinois, has taken the lead: He's asked Civil Service Commission exactly how many jobs outside civil service requirements are available or can be made so.

SELF PROCLAIMED watchdogs of the public treasury must have been cozily napping for several years, else how can the Federal Housing Administration's laxity, or worse, be explained?

WASHINGTON SEES:

There will be neither "another Munich," nor "another Korea," in this country's handling of Indo-China and related problems, sources in the most intimate contact with the White House give assurance.

President Eisenhower is completely at home with the joint problems of military and diplomatic action. He's on familiar ground, drawing on experience and aided by Pentagon and State Department personalities and teams that have been at his side when other weighty decisions were made.

It is reliably reported that the President exudes confidence on the issue of joint action, and that dissident voices will not be allowed to tip the international applecart. There seems to be Capitol Hill impression that this nation needs only to pull up a chair at the conference table, present a digested plan of action, and that's all there is to it. It isn't quite that easy; especially when active participation in war involves countries which have seen it on their home grounds.

Ike is pictured as convinced that there is no present hope of avoiding some armed intervention and that it is just a matter of how far it must go, how strong the support from other countries will turn out to be. But there will be no give-away, as at Munich. Also, the President is reported already to have mapped the type of intervention: sea and air, but no ground troops from the United States.

Unlike his predecessor, President Truman who moved into Korea and then advised congress, Ike intends to go before congress and seek indorsement before he takes any steps. Steps, that is, short of required by another Pearl Harbor—which is not in sight. But he won't go to Capitol Hill until the need, in his opinion, is indisputable.

As We Go To Press

The improvement in economic conditions already noted and likely to increase has moved the "are you better off today?" issue back to the top of republican political planning, riding tandem with whether the President has success in getting through a legislative program. Ike hasn't been singularly successful on the legislative program, and that remains the big "if" today. But his Capitol Hill leadership is hopeful -- so much so, in fact, that the planned July 1 adjournment date has been written off by both houses. Speaker Martin and Majority Leader Knowland agree that more time will be needed to complete action on parts of the White House plan which must be on the books if a successful legislative season is to be claimed. The House, Martin thinks, can do its part of the work in an additional three weeks; Senator Knowland rounds it out at one extra month, to July 31st.

The House moves faster than the Senate. That isn't attributable to any lazy motion. And there's no ready cure. All appropriations bills must originate in the House and therefore the other chamber marks time until this major job is out of the way. Also the Senators have the use of the floor for as long as they want, can filibuster, and they can get leagues away from the topic under discussion whereas House speeches must be "germane" unless those present unanimously agree to wander off. There's good strategy in announcing this early that all the lawmakers will be kept in Washington longer than they had planned. All but about 60 of the 531 must get into active campaigning for re-election with quite a number of them facing primary elections before the November balloting and they need time for fence-mending. The threat of being held until they finish their jobs will make for speed.

President Eisenhower is satisfied with the progress, he publicly says. He has submitted his blueprints and specifications and has impressed upon the public that the republican party must enact the program in substantial fullness if it lays claim to the right to remain in control. The White House isn't insistent that every last detail be followed -- there's no "must" list. In fact action on the excise tax repeal-reduction measure went rather far from Ike's policy, yet was approved. That must not be taken by the congressmen to mean that every deviation will get by; in the case of excises, the President had to sign the bill or the Treasury would lose annual incomes of $5 billions, under the terms of the Revenue Act which fixed April 1 expiration dates for "Korea" taxes on liquors, tobacco and other heavy contributors.

Politically, the GOP goes toward the November election troubled by political history more than by vote-getting weakness. The party in power always expects to lose seats in both houses in an off-year election -- has lost them in every trial but one in the past half century. Usually the "in's" can afford to give up some places without seriously threatening control. This year the GOP cannot surrender a net of one senator; otherwise the democrats take control. In the House, where an off-year winning score of added seats is about average for the "out's," loss of five would relegate the republicans to minority position.

A party program is viewed, coldly, by the electorate. Very much like a horse race: it's the standing at the finish line that accounts for the payoff; the "stretch run" may look good, or bad, but it really doesn't count anyway. However, the Eisenhower program is doing very well in the stretch. With the knowledge that they must show something for the time spent in Washington if they wish to return, congressmen are likely to cultivate what is to most of them their strongest political argument: "I supported Ike." In fact that's still so good that many democrats have been falling in line; without, it might be added, any caucus agreement to go along. The President cannot count more than half a dozen of his proposals now as completed bills, but most of them have advanced well along the legislative route. It's not uncommon for congress

to pass a dozen major laws in the final week of a session: bills completed in committee and waiting on the calendar; measures delayed in senate-house conferences; legislation which is uncontroversial, formal but essential.

It has been significant that the democrats have made no drive against White House action and very little against individual members of congress. Senator Joseph McCarthy might be an exception to that statement. But he isn't even running. The only congressman publicly frowned on by the Democratic National Committee is Condon of California, a Democrat, who, Chairman Stephen Mitchell says, should withdraw. And, of course, there's democrat James Roosevelt who, Mitchell proposes, shouldn't run. Democrats naturally appraise with glee the family fights within the republican party, can point to the fact that Ike couldn't have done as well as he has if the demmies hadn't filled gaps left by republicans. And they're viewing the economic situation with uncommon interest, realize it must improve greatly or the GOP will be punished.

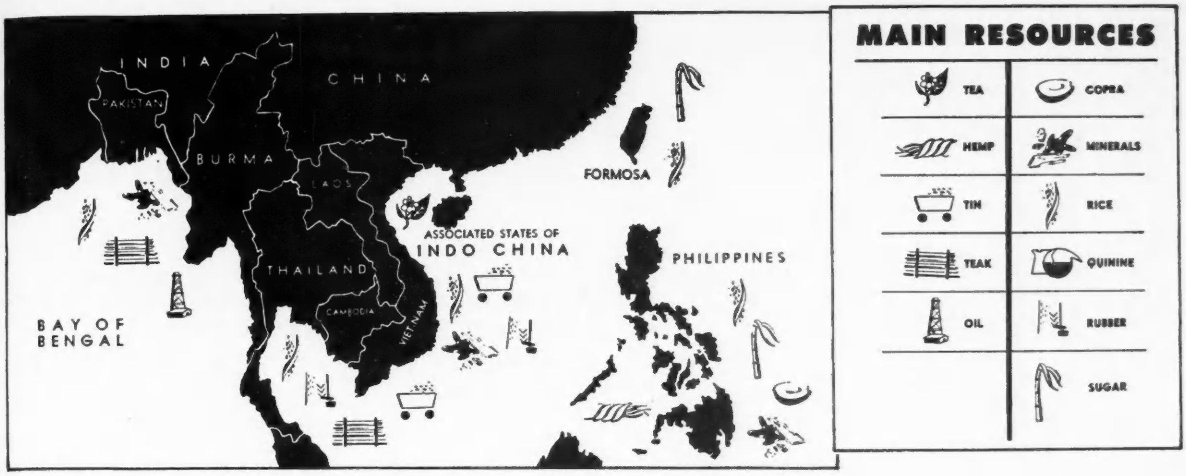
While the Randall Report on foreign trade is being booted about in controversies which, like some other Washington situations, "heartily agree on the ends, but dislike the methods," there are hopeful signs on the horizon. Revenue Act changes to give tax incentives for American investments abroad, both for productive and distributive facilities, seem to be receiving sympathetic hearing before the house committee and are believed to be equally favored on the other side of the Capital. The trade-with-Russia and satellite countries movement is not moving forward without suspicious questioning, but it hasn't been discarded. Without doubt the skepticism will be an invaluable aid in constructing protections.

Convinced that agricultural trade possibilities south of the border haven't been adequately explored, Agriculture Secretary Ezra T. Benson is moving on that front. Farm economists and marketers have been in conference here on the European and Asian possibilities. Now Benson has added Latin America to the market studies. With the rank of consultant to the Secretary of Agriculture these aides will move into the field for the first thoroughgoing inquiry. In the past there have been many studies, always in isolated areas and with no information on which to knit a program.

One of the objectives of the Bricker Amendment has been met by congress through its controls on the purse-strings. The Mexican labor import program involved an international treaty and, naturally, the expenditure of funds to make possible its policing. The congress carefully examined the philosophy of the deal to bring needed farm labor into the United States, scrutinized the language for possible infringement on the immigration act, and determined to its satisfaction that the laws of no state would be superseded by treaty provisions or ordinances of Mexico. Satisfied on these points, the congressmen voted the funds.

Congress would like to solve the troublesome problem of butter oversupply, but don't seem anxious to go as far as the National Creameries Association, the Butter Institute proposals. Their recommendation, at House Hearings, would make the Federal Government the monopoly buyer of all domestically-produced butter. Under the plan, the government would buy all domestic butter production, resell it to dairy products manufacturers at low prices. Manufacturers would be enabled to sell butter at free market levels, and price support levels would be maintained through prices paid by the government to producers. The existing surplus wouldn't move to market at prices above 45 cents a pound, it is agreed. The proposal would result in heavy initial loss but consumers would recapture some in the form of lower prices.

Private industry has been coming to the aid of federal agency heads holding the line against costly wage increase at the expense of severe criticism (and some downright abuse), from "labor congressmen." Pay raises in an election year are taken for granted by union leaders who feel they need only to make their bi-ennial pitch, to hold government workers in the dues-paying unions which cannot call strikes without violating federal statutes.



INDO-CHINA CRISIS POINTS TO DANGER OF LOSS IN STRATEGIC MATERIALS

By H. WERNER

If only Indo-China were involved in the present conflict between the free world and the communists in Southeast Asia we might not be contemplating drastic steps to support the French in their struggle. Our dilemma stems from what President Eisenhower has recently called the "falling domino" principle. "You had a row of dominoes set up, and you knocked over the first one, and what would happen to the last one was the certainty that it would go over very quickly. So you could have a beginning of disintegration that would have the most profound influences". Indo-China is a part of Southeast Asia. The other "dominoes" are Thailand, Burma, Malaya, Indonesia, and the Philippines. The population of this crucial area is somewhat larger than that of the United States.

Our economic and strategic interests in Southeast Asia are immense. While the present situation in Indo-China is critical enough, even more important is the fact that it highlights our increasing dependency on foreign sources of vital raw materials. In effect, the United States has become a "have-not" nation so far as many important metals and other products are concerned. If we were shut off from coffee, tea and cocoa, our lives would be made most uncomfortable but we could survive, but if we were shut off from such thing as sperm oil, tung, cocoanut and many other oils obtainable only abroad, our industries would suffer and our economy injured. In such items as Manila hemp and sisal, for example, our dependence on foreign sources is absolute. We are increasingly dependent on foreign copper, lead and zinc.

There are only two metals in which we are completely self-sufficient: molybdenum and magnesium. Of the hundred materials that we use, we must import one third, we produce part and import part of another third, and are self-sufficient in the last third.

The U.S. Bureau of Mines has found that 38 minerals are vital to U.S. industry. We are self-sufficient in only 9 of them. Tin and industrial diamonds are completely imported. We obtain from foreign sources 47 per cent of our lead; 41 per cent of our copper; 34 per cent of our zinc. We buy 75 per cent of our apparel wool abroad. Our synthetic rubber plants can produce half as much rubber as the outside world grows; but synthetic rubber is not a complete substitute for the crude product. All the crude rubber we import comes from Malaya, Indonesia, and Thailand. We import 90 per cent of our manganese and cobalt. Of our tungsten we import 65 per cent, in which Thailand and Bolivia participate. A part of our tin comes from Malaya.

A medium-sized tank requires 1,915 pounds of chromium, all of which is imported; 950 pounds of manganese (93% imported); 520 pounds of nickel (99%); 100 pounds of tin (100%); 6,512 pounds of bauxite (65%); and 1,418 pounds of copper (42%). Thirteen pounds of manganese are needed to produce one ton of steel. Of these, only two pounds are domestically produced. We import fifteen per cent of our petroleum.

But these figures reflect only our present dependency on foreign sources. Our consumption of raw materials is steadily increasing. The over-all consumption of materials in the United States in 1950 was approximately five times consumption in 1900. Two years ago the President's Material Policy Commission (Paley) made estimates of the presumptive needs of the American people in 1975. The Commission found that the quantity of most metals and minerals used in the U. S. since the first World War exceeds the total used throughout the entire world in all of history preceding 1914. Our over-all material requirements are expected to be some fifty to sixty percent larger in 1975 than in 1950. Then we had to import about 10 per cent of the raw material we used; it should be 20 per cent (valuewise) in 1975.

Our petroleum will be exhausted in less than a century. Pessimists give it only twenty more years. As percentage of known reserves U.S. petroleum pro-

duction was 8% of known reserves in 1950, as against 3.2% in other free countries. The correspondent figures for iron ore read 5.9% vs. .18%.

In order to get the copper we shall probably need, we ought to increase our copper investments abroad by $100 million a year. All the copper ever discovered in the U. S. would last only 25 years at the rate of consumption projected for 1975; all the lead would last only 18, all the zinc only 30 years. And if all the nations of the world should achieve the same standard of living as our own, the resulting world need for materials would increase to six times present consumption. The consumption of almost all materials is expanding at compound rates and is pressing harder and harder against the world's resources.

Indo-China, Thailand, and a part of Burma are the greatest exporters of rice. They feed many other parts of Asia, including Japan. Before the second World War Indo-China alone furnished 25 per cent of the world's export rice. It is not difficult to realize what the shutting off of rice from Southeast Asia—in the event the communists took over—would mean to Japan. Without firing a shot, the Communists would not have too much difficulty in convincing the Japanese that their future lay with the Communist bloc, with what effects on the position of the U. S. and the free world can well be imagined.

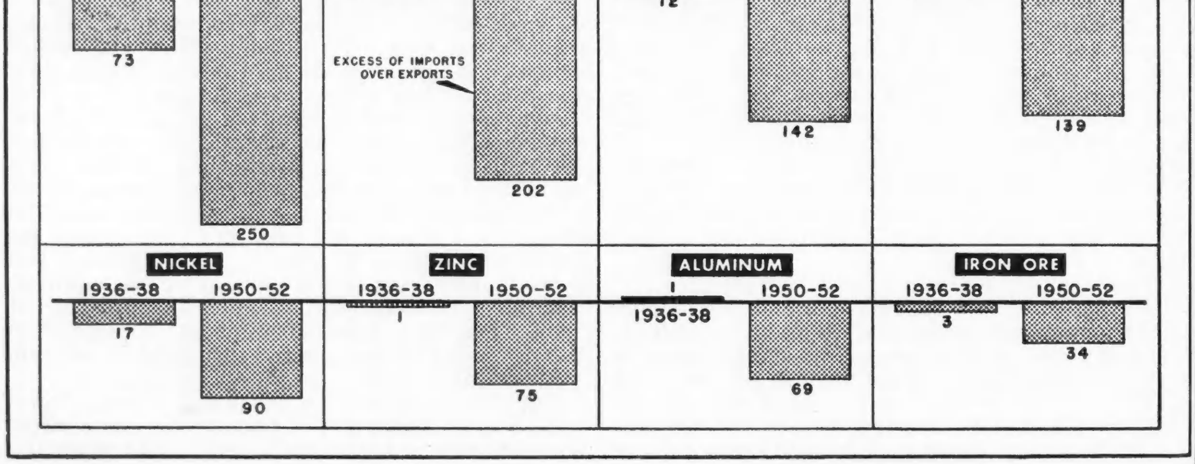
The principal export crops of Southeast Asia are rubber, tobacco, tea, coffee, and sugar. The area contains oil, tin, chromite, nickel, bauxite, tungsten, and manganese. Thailand alone is responsible for between nine and ten per cent of the world's tin output. 95% of the world's crude rubber, 55% of its tin, and 55% of its rice come from Southeast Asia. We import part of our tungsten from Thailand. Tungsten is needed in tools. If our supply were cut off, one authority maintains that the manufacturing capacity of U. S. industry would be cut in half.

Before the first World War and to a lesser extent before the great depression private capital in the United States, Great Britain, and other capital exporting countries made great investments in the production of raw materials abroad. The economic development of many Asian, African, and Latin American countries was the result of foreign private investments. This, however, is no longer the case.

Serious Investment Problems

There are a variety of sound reasons for the presently prevailing pessimism regarding investments in foreign countries. One is the uncertainty of the future value of some of the materials. As stated in the Paley Commission report: "A chemist makes a crucial discovery, and the resource base for the production of women's stockings shifts from mulberry leaves in Japan to bituminus coal underlying West Virginia." Another reason is to be found in the conviction of some of the capital importing countries that they have relied to a dangerous degree in the past on the promotion of certain raw materials or foodstuffs to the detriment of other lines of production. The economic and political instability of the tin and the banana republics has become notorious. But the most important factor is the nationalistic legislation of many countries which is openly directed against foreign capital and management as such and their real or imaginary influence.

Many currencies, in fact most of them, are nowadays inconvertible. There are restrictions on the remission of capital and earnings and multiple exchange rates involving unfavorable rates at which earnings and capital may be repatriated. The entry of capital is controlled; so is in many countries the conduct of business. There are limitations on the percentage of management personnel and the ownership which the investors may hold. Sometimes there is the risk of outright (*Please turn to page* 194)



10 Potential MARKET LEADERS for 1954

By THE MAGAZINE OF WALL STREET STAFF

(*Editor's Note*: *We present this feature in two parts, the first of which, in this issue, gives our first four selections, the remaining six to appear in the next issue.*)

Our special feature "Potential Market Leaders" has appeared annually for many years and is much sought after by investors, not only because it selects the stocks which seem to offer better-than-average promise for market performances but also because it offers investors an opportunity to obtain a satisfactory vehicle for income return. This is worth-while in a market in which so many stocks of good quality now yield comparatively small returns. Since most investors seek a reasonably good return, as well as appreciation, we feel sure that we are justified in stressing this feature of the "10 potential market leaders."

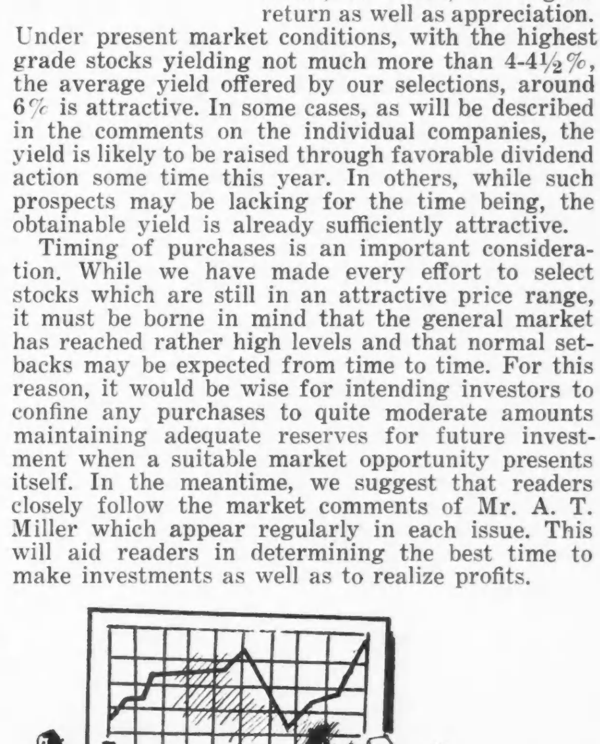
At first glance, it would no doubt occur to our readers that we must have had an abundant list of suitable stocks from which to choose for our selections. Nothing could be further from the truth as evidenced by the high market levels to which many well-known issues have advanced in recent months. However, by carefully sifting the possibilities among that rather small number of remaining stocks which are still available at attractive prices, we have finally chosen the ten which are presented in this and the next issue of the Magazine.

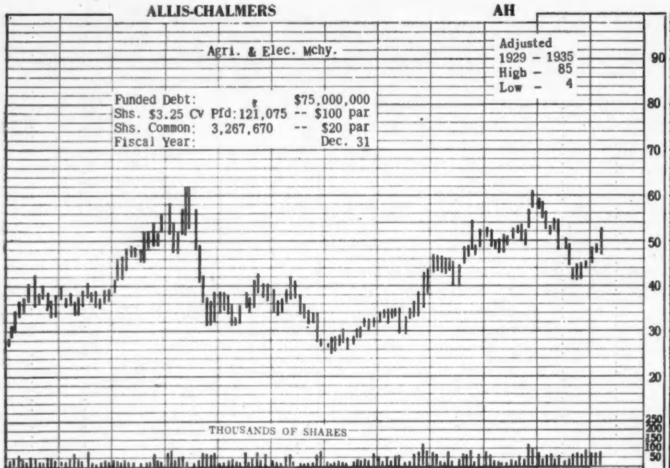
As has been our policy for many years, recommendations have been based on all available data and information such as: earnings record in recent years; competitive position; financial position, dividend record and prospective margin of earnings over dividends. Due attention also has been paid to technical considerations, such as the daily volume of transactions and type of action in days of general market strength or weakness.

It has been particularly important to give heed to the possible effects of the current business transition on the specific companies. Therefore, it was essential, in order to achieve the best results, to select companies in an exceptional position to withstand the current downturn in business, either as a result of new and specific developments related to important new operations; or, as a result of prospects for an unusually high volume of defense orders, in addition to normal civilian demand; or, because of the benefits accruing from the ending of the excess profits tax. In some cases, among the stocks chosen, all three factors mentioned appear. Obviously, the presence of these factors offers added assurance of fundamental support so far as future earnings are concerned.

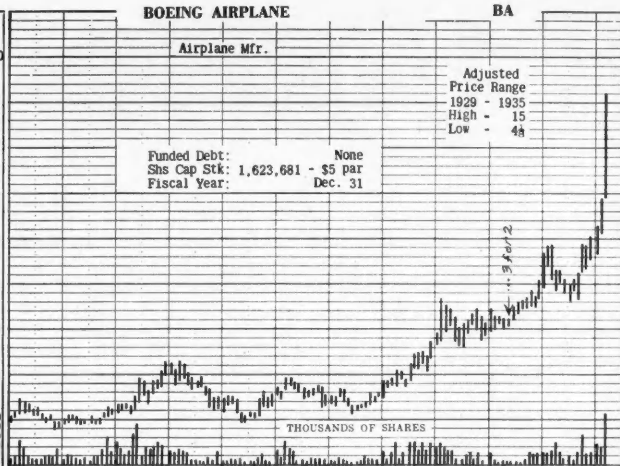
The stocks have been selected, as stated, for a good return as well as appreciation. Under present market conditions, with the highest grade stocks yielding not much more than 4-4½%, the average yield offered by our selections, around 6% is attractive. In some cases, as will be described in the comments on the individual companies, the yield is likely to be raised through favorable dividend action some time this year. In others, while such prospects may be lacking for the time being, the obtainable yield is already sufficiently attractive.

Timing of purchases is an important consideration. While we have made every effort to select stocks which are still in an attractive price range, it must be borne in mind that the general market has reached rather high levels and that normal setbacks may be expected from time to time. For this reason, it would be wise for intending investors to confine any purchases to quite moderate amounts maintaining adequate reserves for future investment when a suitable market opportunity presents itself. In the meantime, we suggest that readers closely follow the market comments of Mr. A. T. Miller which appear regularly in each issue. This will aid readers in determining the best time to make investments as well as to realize profits.





1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	
4.51	4.77	2.91	d .06	1.69	5.67	6.99	8.72	8.19	7.98	E6.25		EARN.
1.25	1.65	1.75	1.60	1.60	1.60	2.00	3.25	3.50	4.00	4.00		DIV.
98.7	104.7	72.7	111.8	106.3	125.3	149.4	154.2	151.1	197.0	207.9	WkgCap $ Mil	



1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	19
2.76	3.24	3.99	d .20	d .27	1.05	2.71	6.67	4.40	8.67	E11.00	
1.33⅓	1.33⅓	.66⅔	.66⅔	.66⅔	.66⅔	1.33⅓	2.00	2.00	2.66⅔	3.50	
19.4	27.5	45.6	48.6	39.3	38.2	40.2	45.9	45.8	49.9	59.6	Wkg

ALLIS-CHALMERS MANUFACTURING CO.

BUSINESS: Diversified activities of Allis-Chalmers include production of a broad line of agricultural equipment, industrial and road-building machinery, internal combustion engines of all types and sizes, fork lift trucks, industrial towing tractors, and other varied equipment among which are power transformers, switchgear, steam turbine generators, motors, hydraulic turbine generators and other equipment for electric utilities, industrial plants and atomic energy projects.

OUTLOOK: Allis-Chalmers represents a good example of growth dynamism that stems from expanding diversification through acquisitions and constant research developing new products and improving established lines. Depicting this growth is the company's seven year record to the close of 1953 with net sales increasing from $211.9 million in 1947 to an all-time peak of $514.4 million in 1953, and latter figure taking in only two months' sales—approximately $5 million—of the Buda Division which Allis-Chalmers absorbed on Oct. 31, 1953. Actual net earnings for last year of $20.7 million were equal to $6.22 a share for the common stock. By closing out an unrequired tax provision of a little more than $1 million, however, this showing was increased to $6.58 a share, and compares with $7.98 a share the company reported for 1952, notwithstanding the fact that in 1953 maintenance and repair expenses charged to current operations totaled $18.8 million, or $3.3 million more than 1952 expenses for the same purpose, while at the same time amortization provisions were increased by about $1.2 million. Also, during last year alone $24.7 million in capital expenditures went for plants and equipment, following expenditures of $16.5 million in 1952. Out of net earnings in the seven years totaling $131.5 million, $70.6 million have been retained in the business. Working capital standing at $106 million at the end of 1947, has increased to $208 million as of Dec. 31, 1953, and the book value of the common stock has grown in the same period from $39.42 to $65.59 a share.

DIVIDENDS: Has maintained payments on the common stock in every one of the last 18 years. Current $4 a share annual rate has been paid since 1952.

MARKET ACTION: From a high of 59½ in 1953, the issue reacted to a low of 41½ reached last October. From that level it has gradually recovered to its current price of around 51 where it sells to yield 7.8%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1944	1953 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 58,631	$ 37,680	—$ 20,951
Receivables, Net	35,330	103,346	+ 68,016
Inventories	87,145	176,958	+ 89,813
Other Current Assets	1,713	4,026	+ 2,313
Billings on Contracts	cr. 12,912	cr. 17,028	+ 4,116
TOTAL CURRENT ASSETS	169,907	304,982	+ 135,075
Net Property	30,002	90,992	+ 60,990
Investments	9,450	4,584	— 4,866
Other Assets	4,534	945	— 3,589
TOTAL ASSETS	$213,893	$401,503	+$187,610
LIABILITIES			
Notes Payable		$ 27,250	+$ 27,250
Accounts Payable	$ 28,364	27,328	— 1,036
Accruals	20,826	17,633	— 3,193
Tax Reserves	15,963	24,812	+ 8,849
TOTAL CURRENT LIABILITIES	65,153	97,023	+ 31,870
Reserves	8,994		— 8,994
Long Term Debt	40,000	78,125	+ 38,125
Preferred Stock	29,601	12,093	— 17,528
Common Stock	43,125	65,344	+ 22,219
Surplus	27,020	148,938	+ 121,918
TOTAL LIABILITIES	$213,893	$401,503	+$187,610
WORKING CAPITAL	$104,754	$207,958	+$103,204
CURRENT RATIO	2.6	3.1	+ .5

BOEING AIRPLANE COMPANY

BUSINESS: Boeing ranks as a foremost designer and builder of heavy commercial and military planes, including medium and heavy jet aircraft, stratojet freighter tanker-transports. It is also producing the F-99 Bomarc pilotless interceptor, a highly classified long-range air defense weapon and is a producer of gas turbine engines, at present largely for military purposes.

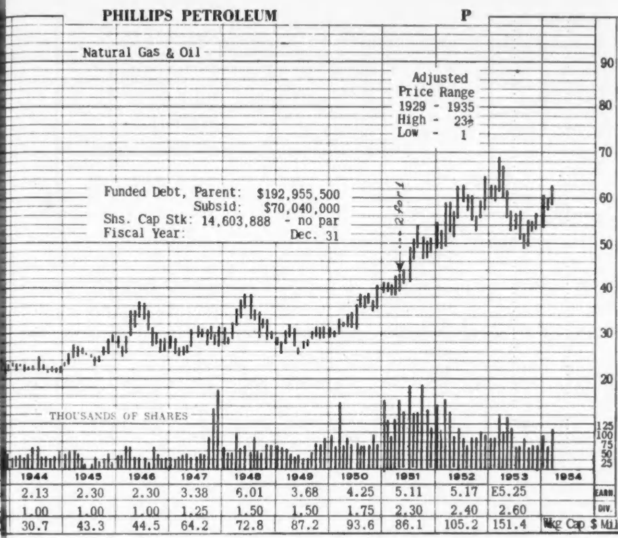
OUTLOOK: Under the impetus of defense requirements, Boeing, because of its front-rank position as a developer and builder of heavy military type aircraft, including jet powered bombers and reconnaissance planes, has an outstanding record of growth during the last four years. Last year, sales amounted to $918.2 million and after taxes, including $6.03 a share in excess profit tax, net for the capital stock was equal to $12.51 a share. Sales in 1952 totaled $739 million and net income was equal to $8.67 a share. The outlook is for a continuation of the uptrend through the current year and into 1955. With 1954 sales running ahead of last year, it is estimated that net earnings this year should approach $20 a share after eliminating EPT. When 1954 opened, Boeing had a backlog of unfilled orders totaling approximately $2,357 million. This volume was $709 million greater than a year earlier with about 88.5% of the 1954 total consisting of incentive-type fixed-price contracts that permit the company to share in the savings when actual costs are less than "target" costs. Moreover, the company will have the full benefit of the Wichita Division plant which got into expanded production last year on B-52 swept-wing bombers, and from further growth in pilotless aircraft (guided missile) which is expected to become increasingly important in the "new look" defense requirements.

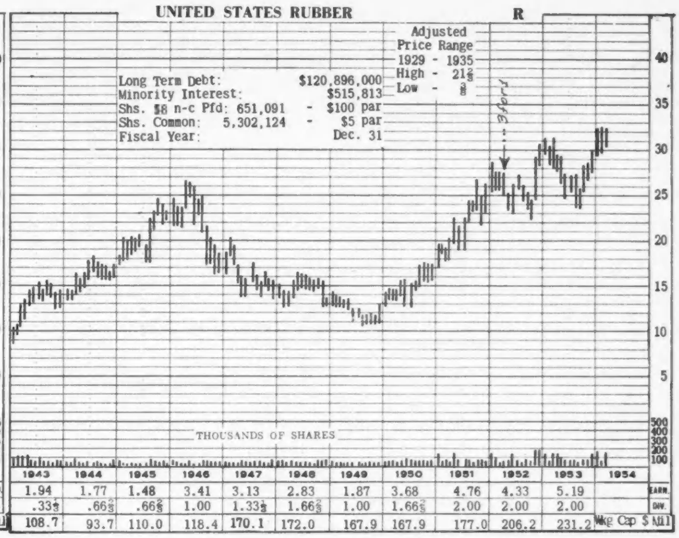
DIVIDENDS: After paying, at irregular intervals, a total of $3.50 a share in 1953 the stock, before the two-for-one split, was placed on a regular quarterly basis with the declaration of a 75 cent payment made March 10, last. Such a payment indicates a quarterly rate of 37½ cents a share on the new stock.

MARKET ACTION: On the announcement of the proposed stock split, Boeing rose to a high of 86, from a low of 46½ earlier this year with the current price around 75. At this level, the new stock as a result of the split-up would sell around 37½, to yield 4% on indicated $1.50 a share annual dividend but higher dividends can be expected. It is suggested purchases be deferred until after the split-up is effected.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1944	1953 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 12,405	$ 20,705	+$ 8,300
Receivables, Net	10,705	11,673	+ 968
Charges on Contracts	78,229	86,972	+ 8,743
Expend., Fees, Deliv., etc.		81,748	+ 81,748
Materials & Parts	278	8,062	+ 8,784
TOTAL CURRENT ASSETS	101,617	209,160	+ 107,543
Net Property	7,283	21,553	+ 14,270
Investments	284		— 284
Other Assets	11,530	977	— 10,553
TOTAL ASSETS	$120,714	$231,690	+$110,976
LIABILITIES			
Accounts Payable	$ 21,837	$ 49,086	+$ 27,249
Accruals	40,528	22,671	— 17,857
Tax Reserve	11,720	6,776	— 4,944
Amt. Pay. U.S.		70,963	+ 70,963
TOTAL CURRENT LIABILITIES	74,085	149,496	+ 75,411
Reserves	16,929		— 16,929
Bank Loan	2,968		— 2,968
Capital Stock	5,412	35,203	+ 29,791
Surplus	21,320	46,991	+ 25,671
TOTAL LIABILITIES	$120,714	$231,690	+$110,976
WORKING CAPITAL	$ 27,532	$ 59,664	+$ 32,132
CURRENT RATIO	1.4	1.4	





PHILLIPS PETROLEUM COMPANY

BUSINESS: One of the largest fully integrated petroleum companies. It is also one of the largest producers of natural and liquefied gas, carbon black; is a producer of sulfur from waste materials in natural gas; operates government-owned synthetic rubber plant, and is one of the foremost companies in the petrochemical industry.

OUTLOOK: Phillips Petroleum, one of the most dynamic units in a dynamic industry, within the last eight years more than tripled gross income, which increased from 1946 volume of $220 million to 1953 record high of $765 million. Net earnings rose from $22.5 million, or $2.30 a share on present outstanding capital stock to $76.7 million, equal to $5.25 a share for 1953, the highest earnings level in its 36-year history. While achieving this record, the company continued to provide for long-term growth. Within the last five years to the end of 1953, expenditures to properties, plants and equipment totaled $701.8 million. Of this sum, 55% went for oil and gas properties, wells and equipment, and 26% was expended for manufacturing facilities. Within the past year, the company completed a large-scale expansion program about doubling its fertilizer capacity; opened a new 450-ton per day ammonia plant; another plant designed to produce 405 tons of triple super-phosphate daily, and two additional nitric acid units. In addition, Phillips doubled its capacity for producing raw materials used in the manufacture of nylon and put into operation a new plant for the production of high-purity para-xylene going into the manufacture of a new synthetic fiber. During 1953, after charging approximately $43 million to depreciation, depletion and amortization, the company increased net property account to $755.4 million, or almost 3½ times net value at the close of 1945.

DIVIDENDS: Payments on the capital stock have been made in each of the last 21 years. Since the 2-for-one split in 1951, distributions have been increased to the current rate of $2.60 a share annually.

MARKET ACTION: From a March, 1953, high of 69½, the stock reacted to a September low of 48¾. Its 1954 range has been 64 high, 53⅜ low. Currently selling at 63, the stock yields 4.1%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1944	1953 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 18,725	$ 93,208	+$ 74,483
Receivables, Net	16,897	62,869	+ 45,972
Inventories	30,686	101,213	+ 70,527
TOTAL CURRENT ASSETS	66,308	257,290	+ 190,982
Net Property	234,501	755,460	+ 520,959
Investments	12,540	12,129	— 411
Other Assets	5,468	14.346	+ 8,878
TOTAL ASSETS	$318,817	$1,039,225	+$720,408
LIABILITIES			
Current Debt Mat.	$ 2,073	$ 8,860	+$ 6,787
Accounts Payable	17,719	52,969	+ 35,250
Accruals	4,884	3,353	— 1,531
Tax Reserve	10,880	40,640	+ 29,760
TOTAL CURRENT LIABILITIES	35,556	105,822	+ 70,266
Other Liabilities	1,361	8,058	+ 6,697
Reserves	11,464	10,055	— 1,409
Long Term Debt	47,959	261,552	+ 213,593
Capital Stock	153,824	294,783	+ 140,959
Surplus	68,653	358,955	+ 290,302
TOTAL LIABILITIES	$318,817	$1,039,225	+$720,408
WORKING CAPITAL	$ 30,752	$151,468	+$120,716
CURRENT RATIO	1.9	2.4	+ .5

UNITED STATES RUBBER COMPANY

BUSINESS: Ranks as one of the four largest rubber companies, manufacturing passenger car, truck and industrial tires and tubes, footwear and general rubber products, mechanical rubber goods, agricultural and rubber and other chemicals, and through its textile mills asbestos fabrics and yarns and other materials for industrial products and various lines of wearing apparel.

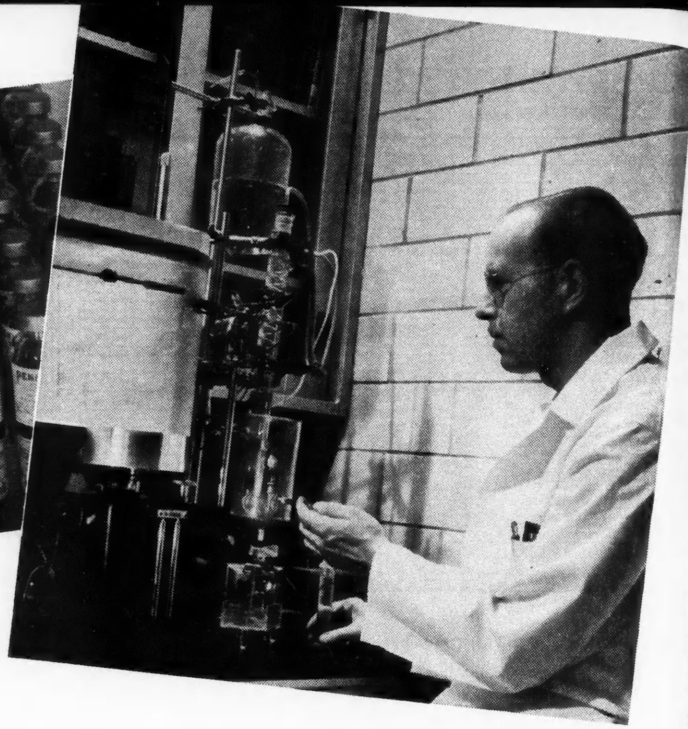
OUTLOOK: Although net sales last year of $383.4 million failed by 1% to match 1952's record high of $850.1 million, the company's non-defense business for full 1953 increased $22 million or 3% over 1952, while defense business dropped $34 million, thus accounting for the $12 million difference between the two years. Last year was one of further progress in plant improvement, development of new and better products, coupled with all-time peaks in the sales of tires and chemicals. Augmented by other net income of $6.8 million, mainly from Government fees for the operation of government-owned plants, earnings were at a record high in 1953 at $32.7 million, equal to $5.19 a share for the common stock, as compared with $28.1 million, or $4.33 a share for 1952, and $30.3 million, or $4.76 a share in 1951. Despite U. S. Rubber's relatively consistent growth, especially in the last seven years, it has held dividend payments on its common stock to a modest rate, paying out only in the last three years a maximum of $2 a share annually, adjusted to the 1953 3-for-one stock split. Out of total net earnings during the entire period, amounting to $172.9 million, $76.6 million have been retained in the business. Gross capital expenditures for property, plant and equipment since 1947, total $160.6 million. Since the start of 1947, working capital has increased from $118.4 million to $231.2 million at the end of last year. The outlook is for continued growth in many directions especially in the domestic and Canadian markets and in the Latin American countries with the pace accelerating as research develops new products in the rubber, textile and chemical fields.

DIVIDENDS: Current payments of 50 cents a share quarterly on the common stock have been paid regularly since 1952.

MARKET ACTION: From a low of 23½, registered in mid-1953, the issue has gradually moved up to a 1954 high of 34⅝. It is currently selling at 34 to yield 5.8%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1944	1953 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 28,219	$ 70,532	+$ 42,313
Receivables, Net	53,566	96,180	+ 42,614
Inventories	75,425	192,885	+ 117,460
TOTAL CURRENT ASSETS	157,210	359,597	+ 202,387
Net Property	63,708	121,677	+ 57,969
Investments	6,970	4,686	— 2,284
Other Assets	11,993	2,634	— 9,359
TOTAL ASSETS	$239,881	$488,594	+$248,713
LIABILITIES			
Current Debt Payable	$ 3,000	....	—$ 3,000
Accounts Payable	20,725	$ 40,611	+ 19,886
Accrued Taxes	24,526	60,509	+ 35,983
Accruals	15,226	27,221	+ 11,995
TOTAL CURRENT LIABILITIES	63,477	128,341	+ 64,864
Other Liabilities	11,193	388	— 10,805
Reserves	8,791	14,596	+ 5,805
Long Term Debt	27,000	120,896	+ 93,896
Preferred Stock	65,109	65,109	....
Common Stock	17,591	26,510	+ 8,919
Surplus	46,720	132,754	+ 86,034
TOTAL LIABILITIES	$239,881	$488,594	+$248,713
WORKING CAPITAL	$ 93,733	$231,256	+$137,523
CURRENT RATIO	2.4	2.8	+ .4



1954 Outlook for Pharmaceutical Industry

No. 5 of Our Special Studies of Major Industries

By H. F. TRAVIS

If the outlook for all industries was as promising as that for drugs and allied products, the economists would have little to worry about. Major representatives in this industry can look forward with considerable assurance to satisfactory progress this year. The broad economic and political influences are favorable, while many internal problems which hampered operations in 1952 and 1953 have been largely solved.

So far as general business conditions are concerned, drug companies should have little about which to complain. Personal income bids fare to hold at a high level and provide ample allowances for medicines, vitamins and other aids to health. Public acceptance of new antibiotics and so-called wonder drugs is experiencing gradual improvement with the result that markets are widening for ethical products. Raw materials are becoming increasingly abundant with the result that costs of supplies have been declining slightly.

New Supporting Factors

More important than these factors, however, has been the rapid sociological gains. Hospitalization has made tremendous strides outside of the metropolitan areas, where it gained headway years ago. Retirement plans and health insurance programs in industrial plans have contributed to greater and greater dependence on drugs for better living conditions.

The high birth rate which has prevailed for several years has been an important stimulant for the industry. Moreover, even though statistics suggest that the birth rate is unlikely to hold around 4 million annually over the next several years, the growing emphasis on medical aids for young mothers appears likely to contribute to steady gains in sales of drugs.

Large increases in population at each end of the age scale mean more to the producers of health aids than for most any other industrial group. Medical science is credited with contributing significantly to the fact that the age group over the popular retirement age of 65 has grown to more than 12.5 million. Scientific progress also is largely responsible for the steady decline in the death rate in maternity cases, accounting in part for births of 4 million a year. These large segments are large consumers of medicines.

Internal problems posed by the Korean conflict and by its subsequent decline as an economic factor have been clarified. Production of penicillin and some other popular new drugs was stepped up rapidly three years ago to meet military requirements. Manufacturing facilities were enlarged to a

reater extent than was required for normal civilian eeds and inventories became larger than needed. Necessary adjustments have taken place, however, nd industry authorities feel confident that production has been reduced to usual demands and that upplies in the hands of distributors are no more han adequate. Consolidations have helped in the ransition.

The two major combinations linked E. R. Squibb & Sons with Mathieson Chemical and Sharp & Dohme with Merck & Co. Both consolidations appeared to be logical steps to gain economies in production and distribution costs. At the same time, tronger units developed to minimize the threat of verproduction. Although new products are being linically tested that might supersede products now n the market, it may be safely said that safeguards ill be set up to avoid creation of excessive inventories of outmoded remedies.

Reducing Unprofitable Output

Although competition may bring some price-cutting, trade authorities doubt that this trend will pread among antibiotics to the extent experienced n penicillin. Moreover, lower prices encourage increased consumption to some extent, broadening markets for certain products. As in other industries, price-cutting runs its course as output is reduced when it no longer yields a profit. This law of economics appears to have stabilized penicillin prices somewhat above the low point reached last year. In the sharp decline this drug reached a level of $85 a billion units, or less than one-third of the average price recorded in 1952 and only a fraction of the 1951 average price at about $549 a billion units. Curtailment of unprofitable output corrected the downtrend, which in turn helped stimulate uses.

Comparatively high prices for cortisone and for broad spectrum antibiotics may contribute to price reductions this year. In fact, Compound F already has dropped substantially from the price of $22 a gram at which it was introduced only two years ago. Profit margins on new products are exceptionally large, however, so that reductions in the magnitude of 50 per cent or more can be made without seriously imperiling earnings, because operating economies are obtained as sales expand.

Whether or not the introduction of new products may upset sales and profit projections this year seems to depend on marketing technics likely to be adopted for a seemingly superior broad purpose antibiotic being introduced. Some observers feel that the new product known as tetracycline may invade the

Statistical Data on Leading Drug Companies

	Earnings Per Share			Dividends Per Share			Recent	Div.	Price Range
	1951	1952	1953	1951	1952	1953	Price	Yield†	1953 to Date
Abbott Laboratories	$ 2.76	$ 2.25	$ 2.35	$ 1.95	$ 1.95	$ 1.80	45	4.0%	47½-39⅛
American Home Products	2.99	3.03	3.39	2.00	2.00	2.30	47	4.8	49¾-36⅛
Bristol Myers	3.65	1.47	1.44	1.75	1.60	1.00	23	4.3	26⅝-17½
Lambert Co.	2.45	2.20	2.62	1.87½	1.50	1.50	22	6.8	25¼-19⅞
Lehn & Fink	2.66	2.39	3.04	1.15	1.10	1.25	16	7.8	18⅝-14
McKesson & Robbins	3.60	3.81	3.64[3]	2.47½[1]	2.50	2.50	39	6.4	42¼-33¾
Mead Johnson & Co.	1.19	1.16	1.29	.80	.70	.75	16	4.6	16⅜-13
Merck & Co.	1.62	1.01	.93	.76	.80	.80	21	3.8	25⅞-17
Norwich Pharmacal Co.	1.29	1.53	1.62	1.00	1.00	1.00	21	4.7	25⅛-18½
Parke, Davis & Co.	3.89	3.32	1.91	1.90	1.90	1.60	35	4.5	44¾-30½
Pfizer (Chas.) & Co.	2.42	2.17	2.73	.98	1.15	1.25	34	3.7	38 -26
Rexall Drug	.55	.56	.90	.10	.15	.20	6½	3.1	7½- 5⅜
Schering Corp.	.78	.96	.91	Nil	.25	.50	13	3.8	17 -11
Sterling Drug	2.91	2.63	2.91	2.25	2.00	2.00	37	5.4	38¾-32⅝
Vick Chemical	2.88	2.79	3.18	1.20	1.20	1.20	33	3.6	34⅞-23½
Warner-Hudnut	2.93	1.96	2.52	.87½	1.15	1.35	18½	7.2	19½-14½
Zonite Products	.29	.35	.06	.20	.25	.10	5	[2]	5¼- 3⅜

†—Based on 1952 dividend.
[1]—Plus stock.
[2]—No dividend action 11/24/53.
[3]—12 months ended Feb. 28, 1954.
Rating: (H) — Hold. (N) — Neutral.

Abbott Laboratories: Introduction of new products and greater price stability expected to improve margins. Modest earnings gain expected to protect $1.80 dividend. (H)

American Home Products: Increased emphasis on ethical drugs expected to improve margins despite keener competition in other products. Ample coverage seen for $2.40 rate. (H)

Bristol-Myers: Moderate growth in proprietary product sales indicated. Unless new ethical items are introduced, earnings may hold near 1953 level of $1.44. (H)

Lambert: Wider margins on non-drug items contributed to improved results and promise to sustain earnings. Margin for $1.50 dividend none too wide. (N)

Lehn & Fink: Although lower excise taxes are expected to aid sales of cosmetics to some extent, earnings in year ending June are estimated below 1953 (N)

McKesson & Robbins: As leading wholesaler of drugs on national basis, consistent growth in line with population is indicated. Net estimated at $4 a share for March 31 year. (H)

Mead Johnson & Co.: High birth rate is favorable factor for this major producer of dietary aids for infants. End of EPT expected to aid earnings and may lift dividend. (H)

Merck & Co.: Aggressive merchandising is expected to boost sales, now that antibiotic prices have stabilized, and new lines may lift earnings. Dividend seems safe. (H)

Norwich Pharmacal: Growing emphasis on new ethical lines and wider acceptance of new products likely to lift sales and earnings to new highs. Regular $1 rate seems safe. (H)

Parke, Davis & Co.: Progress in new products expected to aid recovery in earnings despite some slackening in overseas volume. Margins may remain narrow. Usual $1 rate secure. (H)

Pfizer (Chas.) & Co.: Growth prospects regarded as promising despite keener competition. New antibiotics offer earnings promise. With extra, dividends may reach $1.25 in 1954. (H)

Rexall Drug: Keener competition in retailing of proprietary products, especially from supermarkets, expected to retard gains. Ample net for modest dividend indicated. (N)

Schering Corp.: Stress on ethical products expected to favor steady growth, but margins may remain restricted by keen competition. Good margin indicated for 50c dividend. (H)

Sterling Drug: Aggressive merchandising of proprietary products and growth in population should sustain sales, but keen competition may retard earnings gains. (H)

Vick Chemical: Addition of new products and improved operating efficiency account for wider margins and indicated rise in earnings. Increase in dividend rate possible. (H)

Warner-Hudnut: Company has made good progress with important potential field open in ethical lines. Dividends covered by good margin. (H)

Zonite Products: Greater diversification with addition of new lines may restore earnings to satisfactory level. Keen competition in cosmetics is a major handicap. (N)

Comprehensive Statistics Comparing the Position of

Figures are in million dollars except where otherwise stated	Abbott Laboratories	American Home Products	Bristol Myers	Lambert Co.	Merck & Co.	Norwich Pharmacal
CAPITALIZATION:						
Long Term Debt (Stated Value)	....	$ 11.4	$ 14.0	$ .2	$ .7	$ 1.7
Preferred Stocks (Stated Value)	$ 10.6	....	$ 6.3	....	$ 50.7	....
Number of Common Shares Outstanding (000)	3,739	3,857	1,597	774	9,765	899
TOTAL CAPITALIZATION	$ 36.0	$ 15.3	$ 24.3	$ 1.9	$ 53.0	$ 3.9
INCOME ACCOUNT: For Fiscal Year Ended	12/31/53	12/31/53	12/31/53	12/31/53	12/31/53	12/31/53
Net Sales	$ 88.1	$188.3	$ 55.4	$ 34.5	$160.0	$ 18.8
Deprec., Depletion, Amort., etc.	$ 1.9	$ 2.3	$ 1.7	$ .6	$ 7.7	$ .3
Income Taxes	$ 8.0	$ 16.1	$ 2.5	$ 2.1	$ 13.3	$ 2.1
Interest Charges, etc.	....	$ .4	$ .4	$ .1	....	$ .1
Balance for Common	$ 8.8	$ 13.0	$ 2.3	$ 2.0	$ 9.5	$ 1.4
Operating Margin	19.5%	16.2%	9.0%	10.5%	14.0%	20.5%
Net Profit Margin	10.3%	6.9%	4.5%	5.8%	7.1%	7.7%
Percent Earned on Invested Capital	13.2%	17.6%	6.7%	15.2%	8.7%	16.0%
Earned Per Common Share*	$ 2.34	$ 3.39	$ 1.44	$ 2.62	$ .96	$ 1.62
BALANCE SHEET: Fiscal Year Ended	12/31/53	12/31/53	12/31/53	12/31/53	12/31/53	12/31/53
Cash and Marketable Securities	$ 24.5	$ 40.7	$ 8.9	$ 4.4	$ 20.4	$ 1.9
Inventories, Net	$ 22.8	$ 27.6	$ 10.1	$ 5.2	$ 35.3	$ 3.0
Receivables, Net	$ 14.3	$ 20.4	$ 4.6	$ 2.4	$ 12.3	$ 3.9
Current Assets	$ 61.7	$ 91.6	$ 23.7	$ 12.1	$ 68.0	$ 8.9
Current Liabilities	$ 22.3	$ 30.1	$ 2.3	$ 5.0	$ 12.1	$ 3.3
Working Capital	$ 39.4	$ 61.5	$ 21.4	$ 7.1	$ 55.9	$ 5.6
Fixed Assets, Net	$ 27.2	$ 21.8	$ 24.2	$ 4.9	$ 66.1	$ 4.9
Total Assets	$ 94.2	$122.7	$ 53.6	$ 18.5	$148.3	$ 14.2
Cash Assets Per Share	$ 6.57	$ 10.57	$ 5.57	$ 5.75	$ 2.09	$ 2.20
Current Ratio (C. A. to C. L.)	2.8	3.0	10.2	3.3	5.6	2.7
Inventories as Percent of Sales	25.8%	14.6%	18.3%	15.2%	22.0%	16.0%
Inventories as Percent of Current Assets	36.9%	30.1%	42.8%	43.3%	51.9%	33.7%
Total Surplus	$ 33.8	$ 70.4	$ 27.1	$ 11.5	$ 78.3	$ 6.9

*—Data on dividend, current price of stock and yields in supplementary table on preceding page.

field enjoyed by aureomycin and terramycin. Active research aimed at discovery of new weapons to combat polio and cancer holds promise of yielding results in the not distant future. In fact, considerable progress has been made in fighting polio.

Scientists are encouraged by test of a new antibiotic said to have promising tumor inhibiting qualities. This product known as azaserne is being aggressively tested by Parke, Davis. Laboratory technicians assert that the compound has proved effective against malignant growths in mice. The fact that the antibiotic has been isolated and synthesized is encouraging to pharmaceutical authorities, since this step would pave the way for production in adequate quantities. Further exhaustive tests are anticipated in order to determine its therapeutic values. Successful tests readily might open a vast market. Already research activities have been stepped up in laboratories of other chemical companies.

The New Antibiotic

Tetracycline is being offered as an antibiotic which may prove more effective in many respects than aureomycin and terramycin. It is reported to have a lower incidence of side effects, which would offer possibilities of larger markets. The product is being made by American Cyanimide and by Pfizer under an arrangement for cross-licensing while a patent interference case is being tested. Bristol-Myers has developed a fermentation process for producing the drug and has sought patents. Final decision in the controversy may take some time to settle, but success for Bristol-Myers could prove of considerable significance.

The drug industry has been cooperating with the National Foundation for Infantile Paralysis in its campaign to check the spread of poliomyelitis among school children. This project is expected to expand this year as an attempt is made to inoculate half a million school children in various sections of the country. Major drug concerns have been producing gamma globulin and other pharmaceutical and biological products on a non-profit basis for the foundation. Merck & Co. inaugurated studies on tissue culture techniques in the belief that this new field of investigation might prove instrumental in developing vaccines against certain small viruses. Among the problems being studied is a method of growing polyomyelitis viruses so that a vaccine might be produced if and when licenses should be issued by the National Institute of Health.

Parke, Davis began to participate in the campaign against infantile paralysis last year, when the National Foundation requested the company to process vaccine. The product is being supplied in substantial quantities for clinical tests. This company is believed to be supplying a high percentage of the Foundation's vaccine requirements. The company is continuing its active research program in endeavoring to come up with a more promising treatment than any already developed for polio.

Leading Drug Companies

Parke, Davis	Pfizer (Chas.) & Co.	Schering Corp.	Sterling Drug	Warner-Hudnut
....	....	....	$ 16.0	$ 6.0
....	$ 19.2	....	$ 10.8	$ 8.2
4,894	4,900	1,760	3,835	1,252
$ 14.0	$ 24.2	$ .26	$ 46.0	$ 15.4
12/31/53	12/31/53	12/31/53	12/31/53	12/31/53
$109.8	$127.2	$ 19.0	$161.7	$ 46.4
$ 2.1	$ 4.6	$ .2	$ 2.6	$ .7
$ 8.4	$ 11.7	$ 1.7	$ 14.0	$ 3.4
$ .1	....	....	$ .8	$ .3
$ 9.3	$ 13.4	$ 1.6	$ 11.1	$ 3.1
15.4%	20.8%	15.2%	16.5%	12.1%
8.5%	11.1%	8.4%	7.1%	7.9%
11.2%	15.8%	11.8%	14.1%	13.3%
$ 1.91	$ 2.74	$ .91	$ 2.91	$ 2.52
12/31/53	12/31/53	12/31/53	12/31/53	12/31/53
$ 16.2	$ 33.9	$ 4.1	$ 21.1	$ 12.5
$ 36.4	$ 35.5	$ 5.0	$ 36.2	$ 9.2
$ 16.0	$ 14.6	$ 2.5	$ 15.1	$ 6.4
$ 70.6	$ 84.1	$ 11.7	$ 72.5	$ 28.2
$ 24.5	$ 33.6	$ 3.2	$ 23.7	$ 8.8
$ 46.1	$ 50.5	$ 8.5	$ 48.8	$ 19.4
$ 32.4	$ 36.0	$ 4.2	$ 36.8	$ 11.9
$108.2	$124.1	$ 16.7	$125.5	$ 42.0
$ 3.32	$ 6.92	$ 2.35	$ 5.52	$ 10.04
2.8	2.5	3.6	3.1	3.2
33.1%	28.0%	26.4%	22.4%	19.9%
51.5%	42.2%	43.0%	50.0%	32.6%
$ 69.1	$ 65.1	$ 13.2	$ 51.5	$ 18.2

Progress is reported by the industry in developing new methods for treatment of tuberculosis. Pfizer has announced the introduction of streptohydrazid, for example, a new anti-tubercular drug combining streptomycin and isoniazid. This company also has accelerated its activities in developing products suitable for use in animal feeds to improve the health of poultry and livestock. Modification of antibiotics for assimilation in livestock feeds opens promising markets for pharmaceuticals and serves an economic purpose in absorbing excessive supplies that threatened to accumulate in normal channels. Results have been so successful in the poultry and livestock tests that the industry is confident that farmers will constitute one of the most important markets for products made by the drug industry.

"Socialized Medicine" and Drug Industry

If there's one factor which poses a problem for the drug industry it probably is the threat—comparatively dormant at the moment—of adoption in this country of socialized medicine. Some economists and financial analysts have argued that a trend toward European practices would prove beneficial for the industry. Experienced pharmaceutical manufacturers are more doubtful. Trade association officials are wary over political developments that might hamper research and manufacturing policies under such an economy. Although use of pharmaceutical remedies might be stepped up substantially, industrial leaders wonder whether adequate manufacturing profits could be envisioned.

Those who have studied the effects of European practices conclude that total consumption of drugs, including ethical and proprietary products, would be stimulated significantly. It is generally agreed also that products not distributed by prescriptions, such as minor proprietary remedies, toothpaste, mouth washes, etc., probably would be sold in increasing volume. Disadvantages might involve government operation of production facilities and avoidance of private brands. Developments limiting profit margins also might handicap research and curtail long range growth. Limitations on prescriptions under a government program well might counteract benefit from enlargement of total volume.

Under present conditions, with production and distribution of medicines in private hands, research and development of new products can be encouraged by the government. Washington Administrations in recent years have stressed policies aimed at improving national health standards. The National Institute of Health contributes large sums for encouraging students. The medical center at Bethesda, Md., concentrates on basic research. Agitation for socialized medicine, which gained headway half a dozen years ago, appears to have diminished in more recent years, and Washington observers doubt that the subject will receive favorable consideration under the Eisenhower Administration.

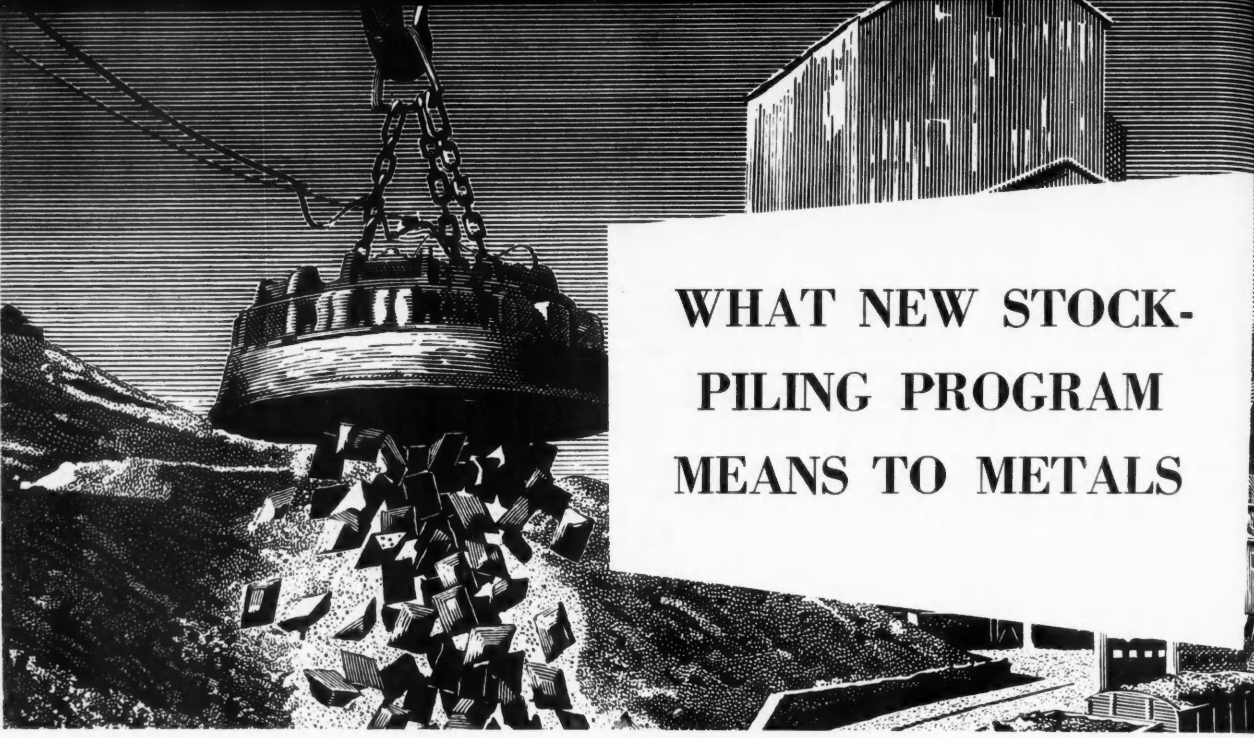
Additional evidence of the growing success of drug manufacturers in research is the advance made in employing sulfa drugs in various combinations and in combination with antibiotics. This will have the effect of broadening the base for sulfa products which in the past several years had been suffering from over-production and glutted markets. This development should aid the financial picture for many companies who have been burdened with excess inventories.

Further progress is noted in the manufacture of synthetic drugs of various types. A relatively new drug, called L-arterenol, has been discovered to have value in combatting shock, which is of the greatest value in extreme surgical cases. This is cited as merely one example of the endless field of research and development open to the pharmaceutical industry and which entitles it to be included among the "growth" industries despite many upsets in recent years.

Outlook for Cosmetics

A review of the drug industry would not be complete without some observations on the outlook for cosmetics. Although this aspect of the broad drug group is comparatively unimportant in total sales volume, it represents a significant portion of the business for some companies. The recent reduction in excise taxes on cosmetics to 10 per cent from 20 per cent of the retail price may prove a turning point of more than passing importance. Consumption of cosmetics has been declining for several years and few companies have been satisfied with results.

High employment by women during the war gave extraordinary impetus to sales of lotions, lipstick, perfumes, face powder and other popular cosmetics. When housewives left airplane plants after the war, demand for many products declined sharply. Excessive production manifested itself and profit margins were trimmed to the vanishing point. The boost in excise levies at the *(Please turn to page 196)*



WHAT NEW STOCK-PILING PROGRAM MEANS TO METALS

By JOHN D. C. WELDON

(Editor's Note: In view of recent developments in the metal industries it has been deemed advisable to re-survey the field, thus bringing our readers up to date.)

Foremost among recent events bearing upon the situation is the directive emanating from the White House authorizing the Office of Defense mobilization to establish at once new long-term stockpile objectives embracing from 35 to 40 metals and minerals. The program of expanded purchase for stockpiling while considered to be the means of improving conditions for the American metal mining industry, particularly the lead and zinc producers, it attests recognition of the imperative need for revising defense plans in keeping with the "new look" in our requirements.

This change in policy is the result of weighing the possible effect upon our supplies of strategic materials in the event of war, especially a conflict in which our domestic sources would be subject to atomic bombing and the cutting off of supplies from overseas sources. As the Presidential directive points out: "It will be assumed for the purpose of calculating long-term stockpile objectives, that in the event of war, supplies will not be available from foreign sources except in the case of that limited group of countries to which wartime access can be had with the same degree of reliance as afforded by sources within our own country." The directive also states; "It will be assumed that in the event of an emergency some supplies from domestic sources may not be available, in view of the fact that the Soviets now have the capability of attack on the United States."

A logical interpretation of this latter statement means that whereas in the past we had been stockpiling solely for the purpose of assuring ourselves of an immediate supply of metals in the event of an emergency, it now becomes advisable to expand the stockpiles by substantial amounts to assure a continuing supply should our domestic sources become paralyzed or "knocked out" completely.

Just which materials are to be purchased under the new stockpiling program have yet to be made public by ODM but it is reasonably certain that zinc and lead will occupy top positions, followed by copper and aluminum. It would be expected that tin would also have a prominent place, but there is some doubt as to the need to add to the amount already on hand. It is estimated that current stocks of Government-owned tin, about 40,000 tons, is greatly in excess of stockpile needs, especially considering that the U. S. is committed to continue tin purchases from Indonesia into 1955. By then our stockpile of this metal will have increased to around 60,000 tons. This is merely conjecture, but it now appears reasonably certain that our State Department will turn down the recent proposal that the U. S. renew its contract to purchase tin produced in Bolivia.

Zinc and Lead Prices More Buoyant

By the same token, it is not the intention of ODM to issue purchase directives to take up every pound of available material in its list at any one time. What it does propose is an orderly procedure serving a dual purpose—pump-priming and protection. This is indicated in the statement that buying would "take place ordinarily at such times as the Government decides that purchases will help to reactivate productive capacity and in other ways alleviate distressed conditions in connection with domestic mineral industries that are an important element in the

nation's mobilization base."

Zinc and lead prices have already exhibited greater bouyancy as a result of the new stockpiling program, buyers coming into the market pushing spot lead quotation up to 14 cents a pound, the best price in almost a year. Zinc also firmed, advancing a cent a pound to 10¼ cents, E. St. Louis with both metals refusing to relinquish any of their recent price gains. Undoubtedly, announcement of the directive touched off a buying movement, but there is more than a faint suspicion that lead and zinc users had allowed inventories to fall to extremely low levels thinking they would be able to replenish supplies without any trouble at then current or even lower prices. This is borne out to some extent by the fact that zinc shipments to domestic users during the final half-year 1953, fell off by approximately 75,000 tons from first half-year shipments of about 450,000 tons, followed by a further decline to 179,504 tons in the quarter ended March 31, 1954. And yet, zinc consumption in 1953 was up by approximately 84,000 tons from the 1952 figure of 911,000 tons. Included in the latter figure is 58,000 tons exported, as against only 17,858 tons shipped abroad from the U. S., in 1953.

That zinc users would be playing their cards "close to their chest" was only natural since the price of the metal tumbled from 19½ cents, the prevailing price in mid-1952, to 9¼ cents early this year. Undoubtedly, many were buying no more than to meet immediate needs and the situation wasn't helped by the decline in the opening months of 1954 in output of galvanized steel sheets and other galvanized steel products that normally provide the biggest zinc market. Stocks of slab zinc held by domestic smelters increased to 199,994 tons by the end of February. This total was increased in March by only 1,177 tons, an encouraging development especially along with a rise of 8,916 tons in unfilled orders, bringing the backlog up to 37,209 tons at the beginning of April. This was the highest level for unfilled orders since June, a year ago. It is too early, of course, to attempt predicting the immediate course of zinc prices, but the relative ease with which the metal advanced on the recent flurry of buying and the firmness in the market since augurs well.

Import Quotas Would Help

The outlook for lead appears to be equally good. Consumption of this metal in 1953, totaled approximately 1,180,355 tons, exceeding the previous year's consumption by more than 50,000 tons. Complete figures covering production and imports and consumption during the first quarter of this year are not yet available, but indications are that lead use outran production and imports. This is supported by January statistics showing U. S. mine production of 24,978 tons; supplies of secondary metal, roughly 32,000 tons, and imports of 25,266 tons, making total supply approximately 82,204 tons against total consumption during the month of 89,700 tons.

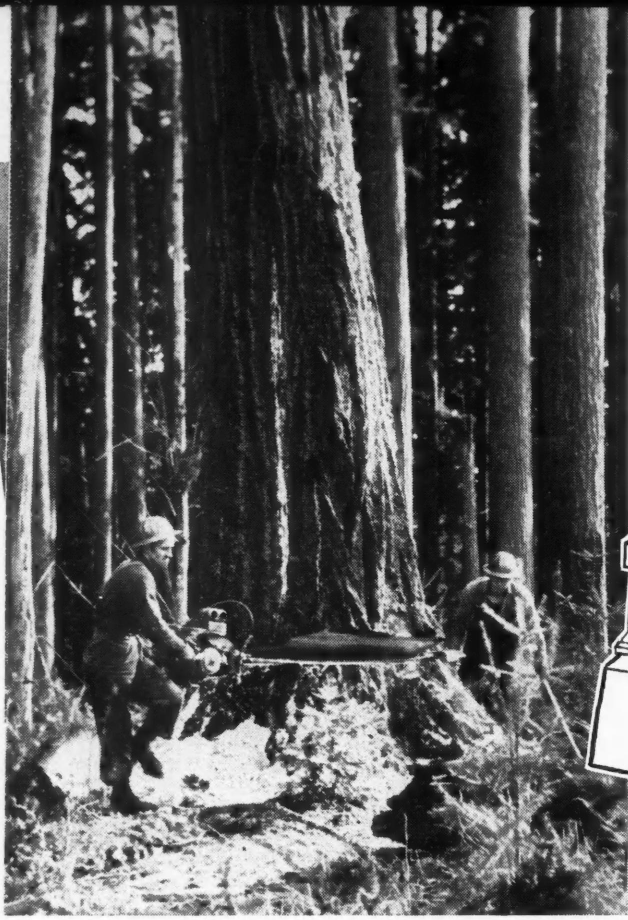
It must be stated, however, that zinc and lead producers operating in the U. S., would be a little more optimistic about their future if something could be done to give them greater protection from imports. Last year, for example, zinc imports ran as high as approximately 746,000 tons. Although some of this, about 269,000 tons were warehoused for the account of shippers, the amount was still more than the tonnage available to smelters from recoverable domestic zinc. A similar picture can be drawn with regards to lead. Domestic production from mines and scrap (secondary metal) in 1953, ran about 770,412 tons. Lead imports amounted to 549,181 tons, even though, as was also the case with zinc, shipments fell off during the latter part of the year because of lower prices here. A number of companies mining zinc and lead in the U. S., have been agitating to get the Administration and the Congress to erect some sort of a protective barrier, preferably an adjustment upwards in zinc and lead tariffs. This move is advocated on the basis that a higher tariff would not prohibit importation of needed metal, but would permit a sufficient increase in prices here to encourage greater domestic production.

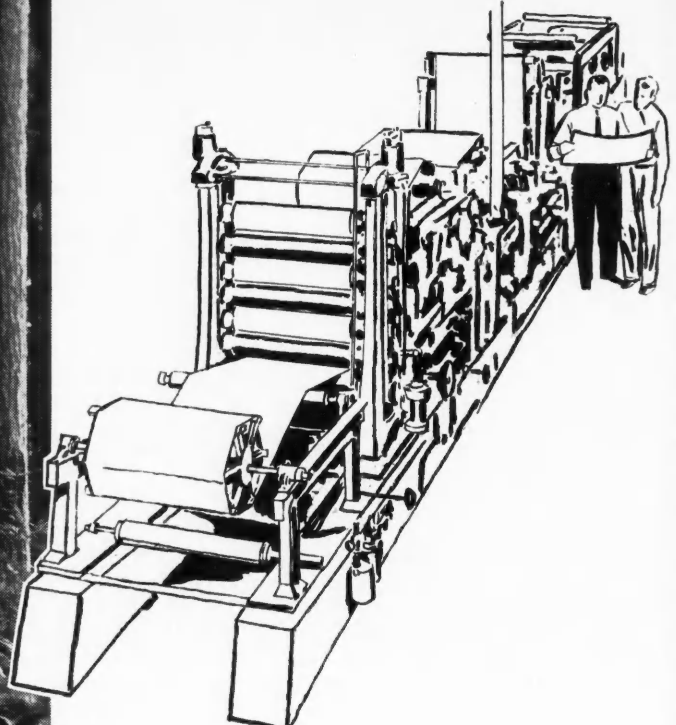
The decision to set up new stockpile objectives is construed in some circles as a means of bolstering the position of the domestic zinc and lead producers. If prices for these metals, however, start advancing from current levels, it would be, it appears, only a matter of time before Europeans began to increase exports. In that event *(Please turn to page 196)*

Earnings Comparisons—Major Metal Producers

	Earnings Per Share 1953	Indicated Div. Per Share	Price Range 1953 to Date	Recent Price	Indicated Yield
MAJOR COPPER PRODUCERS:					
Anaconda Copper	$ 3.52	$3.00	45¾-29	35	8.5%
Cerro de Pasco	1.43	1.00	38⅜-19⅝	25	4.0
Howe Sound	.62	.40	21¼- 9⅝	15	2.6
Hudson Bay Min. & Smelt.	4.15	4.00	59¾-36¼	46	8.6
Kennecott Copper	8.20	6.00	82 -59⅛	76	7.8
Magma Copper	4.76	[2]	30⅞-19⅛	30	—
Miami Copper	5.12	2.00	29⅜-18¾	24	8.3
Phelps Dodge	3.83	2.60	43¼-29¼	36	7.2
ZINC & LEAD PRODUCERS:					
American Zinc, Lead & Smelt.	1.91	1.00	21¾-11¾	15	6.6
Callahan Zinc-Lead	(d) .38	—	3¼- 1¼	2	—
Eagle-Picher Co.	3.28	1.50	23¾-17½	20	7.5
New Jersey Zinc Co.	1.38	2.00	60¾-36½	42	4.7
St. Joseph Lead	2.32	2.00	43¼-30⅝	37	5.4
U. S. Smelt. Ref. & Mining	(d) 4.68	—	67½-27	48	—
NICKEL PRODUCER:					
International Nickel	3.55	2.00	47⅝-34½	38	5.2
ALUMINUM PRODUCERS:					
Aluminum, Ltd.	2.16	2.00	59¾-41¾	58	3.4
Aluminum Co. of Amer.	4.71	1.60	75½-42½	75	2.1
Kaiser Aluminum & Chem.	1.56	1.30	33¼-22½	31	4.1
Reynolds Metals	10.15	1.50	68¼-42¾	67	2.2

(d)—Deficit. [1]—Plus stock. [2]—Paid 10% stock in 1953.





No. 6 of Our Special Studies of Major Industries

1954 Outlook for Paper Industry

By PHILLIP DOBBS

The paper business this year, much like almost every other industry, is not quite up to record 1953, but it has been less susceptible than most to the general decline. In fact, the paper people started out this year as though they were going to vie with the peak registered in the preceding twelvemonth.

Evidence of its comparative well-being was to be found in the Federal Reserve Board production index for January. Using the series which is not adjusted for seasonal variation, that report showed for paper and paperboard an index of 122 for the first month of 1954 compared with 121 for January, 1953. Of the 20 major industry groups included in the Government index, 15 showed decreases, four had increases and the remaining one—paper and allied products—was unchanged.

As the first quarter of 1954 moved along, however, there appeared a slight weakening in volume of new orders received by the paper industry, notable in the case of board mills, and unless the current decline in general business soon levels off and a rebound occurs, the industry must expect to operate for the year as a whole at somewhat less than the hectic pace of 1953 and 1951.

In record-breaking 1953 the industry produced almost 26,600,000 tons of board and paper. This was 9% higher than 1952 and 2% more than 1951. However, this upsurge was due primarily to an increase of 1,700,000 tons in the output of board. Total output of paper alone, although 4% higher than in 1952, was 2% less than in 1951, as such groups as newsprint and fine and coarse papers failed to equal the levels of 1951. Production of tissue paper amounted to almost 1,500,000 tons—10% ahead of 1952 and a shade better than 1951, the previous record year.

Total new supply of paper and paperboard in 1953 also achieved a new high but, because population growth was at a faster pace, calculated consumption amounted to only 392 pounds per capita, four less than in peak 1951. There is comfort in the situation for the paper segment of the industry. For the fact that per capita consumption of paper at 219 pounds was less than in either 1950 or 1951 appears to be indicative that supply and demand were reasonably well in balance. Consequently, in the event of a general decline in business activity, the effects on production of paper should not be multiplied by the presence of unduly large inventories.

There is, of course, danger inherent in speaking in terms of broad totals having numerous components, for the strength of demand and the potential growth of markets vary among the numerous types

of paper. Thus, with regard to tissue production, the demand for which in the past 20 years has been steadily upward, it seems reasonable to assume that production in the year ahead should closely approximate that of 1953 when, on the basis of preliminary figures, output was equal to 100% of capacity on a six-day basis. In 1954, operations for the tissue group should approximate 95% as output again exceeds 1,400,000 tons.

This far-flung industry, whose products are used in every business, carries on its work in 38 states and about 500 towns. Its mills alone employ about 120,000 people. If this employment figure were carried further to include workers in the printing and converting industries it would total over a million.

Obviously, the industry is essential to modern-day society. Yet during the first part of World War II the pulp and paper industry was listed as "non-essential" by the War Production Board and its vital necessity to the war effort was only discovered by that agency when the war was half over. Then a sudden and major backtrack was necessary. The National Production Authority avoided that pitfall at the very start of the Korean war, putting pulp and paper on the essential list. Certificates of necessity were granted to step up paper and pulp-making facilities. A program for industry capacity to be reached by 1955 was set up by the N.P.A. Targets of capacities to be reached by then were adopted for most of the major grades of paper and pulp.

Practically all of these programs, excepting that for newsprint capacity in the United States, have been implemented by construction either already completed or now underway. Newsprint capacity, after falling to the low level of 823,000 tons for 1947, is scheduled for a 59% increase from that figure this year. That still does not satisfy the Government program, which obviously was designed to lessen the dependence of this country on Canada for newsprint. The Canadians supply about 80% of this country's consumption.

New Mill Capacity

An unusual amount of new mill capacity came into operation in the over-all industry in 1953 or is scheduled to begin production during 1954. Even International Paper Co., giant of the industry, fears this new capacity may have the effect of lowering its production rates until there is sufficient growth in

Statistical Data on Leading Paper Companies

	Earnings Per Share			Dividends Per Share			Recent	Div.	Price Range
	1951	1952	1953	1951	1952	1953	Price	Yield	1953 to Date
Champion Paper & Fibre	$ 4.30	$ 3.82	$ 4.40[1]	$ 1.50	$ 1.50	$ 2.00[2]	40	5.0%	41¼-26½
Container Corp. of America	5.91	5.01	4.93	2.75	2.75	[2]2.40[3]	62	4.4	62¼-36
Crown Zellerbach	4.11	3.88	3.52	1.55	1.60	2.00[2]	46	4.3	47¾-26½
Dixie Cup	3.56	3.02	3.55	1.52½	1.60	1.80[2]	53	3.4	54½-31¼
Gair (Rob't) Co.	3.77	2.66	2.95	1.00	1.27½	1.50	22	6.8	23¾-15¾
Gaylord Container	3.39	3.01	2.89	1.50	1.50[3]	1.50	29	5.2	30 -21¾
Great Northern Paper Co.	4.75	4.64	4.63	3.00	3.00	3.00	61	4.9	62⅝-49½
International Paper	5.71	5.23	5.89	3.00	3.00	3.00[3]	65	4.6	65½-43⅝
Kimberly-Clark Corp.	5.80	5.29	4.08	2.40	2.40	2.40	58	4.1	59¼-39¼
Lily-Tulip Cup	4.48	3.97	4.56	1.58	1.66	[3]2.40[2]	75	3.2	76 -39
Marathon Corp.	3.29	2.18	1.55	1.05	1.20	1.20	22	5.3	25 -16¾
Mead Corp.	5.16	4.97	4.40	2.00	1.60[2]	[3]1.80[2]	33	5.4	33¼-21⅝
National Container	3.09	1.17	1.01	.90	1.00	.60[3]	11	5.4	11¾- 9
St. Regis Paper	3.11	2.32	2.91	.80	1.00	1.50[2]	25	6.0	25½-17¼
Scott Paper	3.50	3.44	3.60	2.10	2.40	3.00[2]	84	3.5	87¾-54
Sutherland Paper	2.95	2.74	3.25	1.30	1.50	1.60[2]	38	4.2	38¾-25
Union Bag & Paper	8.05	6.24	5.58	3.75	3.50	3.00	50	6.0	50¼-38¼
West Virginia Pulp & Paper	2.70	2.47	2.83	1.33	1.33	1.40[2]	29	4.8	29⅜-17¼

[1]—Estimated. [2]—Indicated 1954 dividend. [3]—Plus stock.

Champion Paper & Fibre: Continued good demand for printing and fine papers aided by increased advertising. Container board use in food packaging growing. Strong position in industry. (H.)

Container Corp of America: Company's strong position recently reflected in increase in cash dividend and payment of 25% stock dividend. (H)

Crown Zellerbach: Recent acquisitions and well-integrated position favor this leading Pacific Coast producer of various paper products. (H)

Dixie Cup: Company benefiting from growth in demand for paper cups and food containers, as well as from EPT expiration. (H)

Gair (Robert) Co.: Although recent demand has been good for paperboard, folding cartons and shipping containers, this segment of industry is cyclical in character. (N)

Gaylord Container: Use of packaging materials has been increasing, and higher kraft prices should help. (H)

Great Northern Paper: Leading domestic producer of newsprint. Low cost of operations lends degree of stability. (H)

International Paper: Largest company in industry. Operations integrated. Output diversified. Kraft products and newsprint major part of production. (H)

Kimberly-Clark: Strong integrated white paper producer. The leader in coated book paper and cellulose wadding. (H)

Lily-Tulip Cup: Productive capacity increased. Favorable sales and profit comparisons likely over coming months. Long-term growth prospects continue good. (H)

Marathon Corp.: Demand for paper packaging and containers expected to be good. Inventory position satisfactory. Longer range outlook promising. (H)

Mead Corp.: White paper and paperboard business is cyclical. The 45c quarterly dividend well covered and should continue. Sales and outlook near-term satisfactory. (H)

National Container: Integrated manufacturer; containers, paperboard, pulp. New mill increases capacity substantially. Quarterly 15c dividend may be supplemented by small stock dividends. (H)

St. Regis Paper: Good demand. Greater capacity should aid earnings. Annual $1.50 dividend yields good return. Oil possibilities on property add speculative appeal. (H)

Scott Paper: Growth record outstanding. Further growth prospects reflected in current market price. Quality stock. (H)

Sutherland Paper: Products used mainly for packaging, protection of food. Favorable earnings comparisons likely over near-term at least. Growth record good. (H)

Union Bag & Paper: Profit comparison early months should be satisfactory. Regular 75c quarterly dividend provides good yield. (H)

West Virginia Pulp & Paper: Consecutive dividend payer since 1899. Acquisition and modernization program will increase sales. This quality issue merits retention. (H)

RATING: (H) — Hold. (N) — Neutral.

Comprehensive Statistics Comparing the

Figures are in millions, except where otherwise stated.	Container Corp. of America	Dixie Cup	Gair (Rob't) Co.	Gaylord Container	International Paper
CAPITALIZATION:					
Long Term Debt (Stated Value)	....	$ 16.0	$ 28.8	$ 8.8	....
Preferred Stocks (Stated Value)	$ 9.1	$ 7.6	....	....	$ 23.0
Number of Common Shares Outstanding (000)	1,980	762	2,179	2,695	9,790
TOTAL CAPITALIZATION	$ 28.9	$ 27.3	$ 31.0	$ 13.3	$136.8
INCOME ACCOUNT: For Fiscal Year Ended	12/31/53	12/31/53	12/31/53	12/31/53	12/31/53
Net Sales	$187.5	$ 43.3	$117.2	$ 90.1	$673.5
Deprec., Depletion, Amort., etc.	$ 3.9	$ 1.1	$ 4.1	$ 2.7	$ 25.4
Income Taxes	$ 18.0	$ 4.7	$ 9.9	$ 8.3	$ 80.6
Interest Charges, etc.	....	$ .5	$ 1.2	$ .3	....
Balance for Common	$ 9.7	$ 2.7	$ 6.4	$ 7.7	$ 63.0
Operating Margin	14.5%	18.7%	15.1%	16.6%	20.2%
Net Profit Margin	5.4%	6.3%	5.5%	8.6%	9.4%
Percent Earned on Invested Capital	12.3%	10.6%	13.6%	15.4%	15.0%
Earned Per Common Share*	$ 4.93	$ 3.55	$ 2.96	$ 2.89	$ 6.44
BALANCE SHEET: Fiscal Year Ended	12/31/53	12/31/53	12/31/53	12/31/53	12/31/53
Cash and Marketable Securities	$ 15.7	$ 8.3	$ 10.8	$ 9.6	$ 64.2
Inventories, Net	$ 10.2	$ 11.6	$ 14.0	$ 10.2	$ 82.6
Receivables, Net	$ 7.5	$ 3.0	$ 6.4	$ 4.6	$ 34.0
Current Assets	$ 33.5	$ 22.9	$ 31.3	$ 24.5	$186.2
Current Liabilities	$ 5.7	$ 6.9	$ 10.3	$ 4.9	$ 43.6
Working Capital	$ 27.8	$ 16.0	$ 21.0	$ 19.6	$142.6
Fixed Assets, Net	$ 43.9	$ 18.4	$ 60.0	$ 32.8	$260.9
Total Assets	$ 87.4	$ 48.8	$ 94.0	$ 64.3	$507.4
Cash Assets Per Share	$ 7.97	$ 10.91	$ 4.97	$ 3.60	$ 6.56
Current Ratio (C. A. to C. L.)	5.8	3.3	3.0	5.0	4.2
Inventories as Percent of Sales	5.4%	26.8%	12.0%	11.4%	12.2%
Inventories as Percent of Current Assets	30.6%	50.7%	44.8%	41.9%	44.3%
Total Surplus	$ 53.4	$ 14.4	$ 45.0	$ 34.0	$289.4

*—Data on dividend, current price of stock and yields in supplementary table on preceding page.

demand to absorb it. With continuing normal growth in demand and continuing increase of new uses this condition, however, should not be a long-term factor.

The two low ratios in the industry's grouping are in wrapping and specialty (at 87%) and paperboard (92%). These two groupings had heavy increases in capacity in 1953. Wrapping and specialty capacity was hiked by 12% and paperboard by 8% during the year. Both are fast-growing segments of the industry, but the annual growth rate in each case is below the capacity increase in 1953. Under the circumstances, it would appear to be the part of wisdom for producers in the wrapper and specialty field to pause in their development of new capacity until the growth of sales catches up with capacity. With an average annual growth of about 4%, it should not take long. In the meantime, 87% operation still means average profits of about 15% on sales before taxes.

The paperboard showing has been impressive, although production of that commodity was down considerably as the first quarter of 1954 drew to a close. For the week ended April 3, paperboard output was 10.5% below that of the like week last year. New orders were down 18.2% and unfilled orders off 25.1%. Yet the very next week production was 2.9% above the like 1953 week. New orders also were up 2.9%. Unfilled orders, however, were down 25.4%.

The 8% capacity increase in the paperboard field, made in 1953, adds about a million tons annually. Despite this tremendous increase in tonnage, judgment of the managements of paperboard mills would seem to have been vindicated by their production ratios last year. With a 92% ratio, based on tonnage production, the paperboard group has been able to take care of its growing demand. Rather than keep its eye glued to the current calendar, the industry has been alert to an expanding market in a population that is growing by 2,700,000 persons per year.

Growing Demand for Paperboard

Indeed, on the basis of scattered reports, the first quarter of this year compares rather well with 1953. Union Bag & Paper Corp. expects to report net profit equal to $1.50 a share for the first three months of 1954 compared with $1.52 for the like period a year ago. St. Regis Paper Co. operations in the first quarter of this year resulted in a net income of $3,949,000, equal to 70 cents each on 5,397,657 common shares outstanding. In the same period last year the net was $3,760,587, or 70 cents each on 5,170,714 shares. Net sales also improved, to $50,095,000 for the quarter from $49,199,000 a year earlier. And Container Corp. came along in mid-April with an increase in the dividend plus a stock dividend.

At worst, the industry over-all would appear to be in for a decline of about 7% in tonnage output this year compared with 1953. And this is a normal adjustment after the record set last year. It is

Position of Leading Paper Companies

Lily-Tulip Cup	Marathon Corp.	Mead Corp.	National Container	St. Regis Paper	Scott Paper	Sutherland Paper	Union Bag & Paper	West Va. Pulp & Paper
$ 6.7	$ 21.5	$ 22.0	$ 19.4	$ 51.0	$ 17.0	$ 5.5	$ 7.0	$ 20.0
....	$ 4.4	$ 5.9	$ 11.8	$ 14.9	$ 11.0	$ 3.4	....	$ 11.4
449	3,611	1,172	2,809	5,321	3,135	864	1,771	3,613
$ 15.1	$ 48.5	$ 54.6	$ 34.0	$ 92.6	$ 58.7	$ 13.2	$ 42.4	$ 76.4
12/31/53	10/31/53	12/27/53	12/31/53	12/31/53	12/31/53	12/31/53	12/31/53	10/31/53
$ 54.7	$112.1	$111.3	$ 63.2	$200.3	$165.0	$ 55.7	$106.3	$117.2
$ 1.0	$ 5.3	$ 2.9	$ 2.9	$ 11.3	$ 4.2	$ 1.0	$ 5.6	$ 7.8
$ 6.4	$ 5.6	$ 6.9	$ 3.8	$ 13.2	$ 15.0	$ 6.1	$ 10.4	$ 9.0
$ .2	$ .7	$ .8	$ .9	$ 2.3	$ .6	$ .2	$ .2	$ .6
$ 3.0	$ 5.6	$ 5.1	$ 3.0	$ 15.4	$ 11.2	$ 2.8	$ 9.8	$ 10.2
17.9%	10.3%	11.0%	12.1%	13.6%	16.6%	16.7%	19.3%	16.0%
5.6%	5.2%	4.8%	5.7%	8.6%	7.0%	5.3%	9.3%	9.1%
14.2%	7.3%	9.3%	7.1%	13.0%	14.8%	11.0%	12.2%	10.4%
$ 6.85	$ 1.55	$ 4.41	$ 1.07	$ 2.91	$ 3.60	$ 3.25	$ 5.58	$ 2.83
12/31/53	10/31/53	12/27/53	12/31/53	12/31/53	12/31/53	12/31/53	12/31/53	10/31/53
$ 3.5	$ 11.0	$ 6.2	$ 9.1	$ 15.6	$ 27.0	$ 12.9	$ 13.7	$ 33.6
$ 12.4	$ 31.9	$ 14.5	$ 9.7	$ 25.7	$ 20.0	$ 7.7	$ 10.5	$ 12.0
$ 4.4	$ 8.9	$ 7.5	$ 5.1	$ 15.0	$ 9.6	$ 2.8	$ 5.6	$ 5.2
$ 20.4	$ 52.1	$ 29.0	$ 24.8	$ 61.3	$ 56.7	$ 23.7	$ 29.9	$ 50.9
$ 8.7	$ 16.8	$ 6.9	$ 10.1	$ 12.8	$ 27.0	$ 9.2	$ 4.5	$ 14.9
$ 11.7	$ 35.3	$ 22.0	$ 14.7	$ 48.5	$ 29.7	$ 14.5	$ 25.4	$ 36.0
$ 13.7	$ 62.4	$ 45.5	$ 29.4	$120.8	$ 55.9	$ 15.9	$ 51.9	$ 83.7
$ 37.1	$118.6	$ 88.1	$ 80.0	$191.3	$125.2	$ 41.5	$ 91.9	$137.9
$ 7.82	$ 3.05	$ 5.35	$ 3.23	$ 2.94	$ 8.61	$ 15.0	$ 7.87	$ 9.31
2.3	3.1	4.2	2.4	4.8	2.1	2.5	6.6	3.4
22.7%	28.5%	13.1%	15.5%	12.8%	13.4%	13.7%	9.3%	10.2%
61.0%	61.3%	50.2%	39.5%	42.0%	35.3%	32.5%	35.5%	23.6%
$ 13.3	$ 52.3	$ 25.2	$ 35.8	$ 82.0	$ 39.5	$ 19.0	$ 44.9	$ 46.5

axiomatic in the paper industry that its advance is reasonably steady, with a slight adjustment following each record production year.

The industry is gratified that prices have remained relatively stable as output was adequate to meet all market requirements. Production of container board, as an example, reached an all-time high in 1953 of 6,172,000 tons, indicating that the market was absorbing a substantial portion of the new container board capacity which came on the market in the last two years. With the exception of some build-up of container board inventories near the end of 1953, inventories in the kraft industry as a whole were in excellent condition—if anything, a little on the low side.

A leader in this field is Union Bag & Paper Corp. Sales of that company for 1953 reached an all-time high of more than $106,000,000. This compares with the previous peak of $104,000,000 reached in 1951 and a 1952 figure of slightly less than $96,000,000. This increase in sales was made possible by increased capacity at its Savannah plant, probably the largest, most flexible and most completely integrated plant in the world manufacturing kraft pulp, board, paper and paper containers. The increased capacity there enabled Union Bag to ship a total of 566,000 tons in 1953 compared with 491,000 in 1952. The increased production was sold primarily in the form of unconverted products, such as paper and board, with a lower average price per ton than its converted products. This accounts for the fact that the total dollar sales increase over 1952 was not proportionate to the increased tonnage.

Union Bag net earnings, however, declined in 1953 to $9,889,000 from more than $11,000,000 in 1952. As has been the case in recent years for Union Bag along with many others in the field, net earnings were reduced substantially by the heavy tax bill. Union Bag provided a total of $10,175,000 for Federal income taxes in 1953.

Paper companies, along with other businesses, expect that any decline in operations this year will be compensated considerably by less onerous Government levies. In the case of International Paper, a total of $80,617,000 was provided out of 1953 earnings for taxes based on income. Provision for United States Federal income tax amounted to $56,218,564 and provision for excess profits tax to $6,871,721. Since net profit from operations in 1953 totaled $58,542,518, it is obvious that the easing of the tax burden will go a long way toward offsetting any business decline.

What Is Over-Capacity?

It might be argued that if general business turns down this year the consumption of paper will turn down and thus create over-capacity. That gets us into a question of semantics in the definition of over-capacity. Over-capacity in the sense the term is used here is a capacity that substantially exceeds the highest demand that (*Please turn to page* 198)

FOR PROFIT AND INCOME

Fancy

Nobody can say for sure whether most of the richly-priced low-yield growth stocks will continue to pay off in capital gain. They can be afforded by rich investors who, for tax reasons, have little interest in cash dividend income. Obviously, they are not for investors needing or wishing to get a reasonably decent return on their money. Here are some examples with approximate yields at current prices: Aluminum Company 2.1%, Amerada Petroleum 1.6%, Corning Glass Works 2%, International Business Machines 1.3% (plus stock payments), Minneapolis-Honeywell 2.8%, Owens Corning Fiberglas 1.7%, Minnesota Mining & Mfg. 1.8%, Connecticut General Life Insurance 0.7%, Rohm & Haas 0.9% (plus stock payments) and Superior Oil 0.3%.

Conservative

Conservative investors who want a "reasonably good" return from comparatively stable stocks with secure dividends—which is to say from stocks subject to a minimum of uncertainty—must be content with current yields mostly in the range of 5% or so up to around 5.75%. A few typical examples are American Chicle, American Telephone, Beneficial Loan, Corn Products and United Biscuit. Most electric utilities are also examples. Yields on income stocks can be stretched to 6% or a little more if one will accept chronically modest coverage of dividends, such as on Melville Shoe. If you assume that the worst of the "cancer-smoking scare" is over—and the current evidence points that way—Reynolds Tobacco can be bought for yield of nearly 6.2%.

High

At the extreme range of the yield scale, yields around 10% or more indicate a market consensus that continuation of present dividend rates is either unlikely or more than a little uncertain. Some examples include American Locomotive, American Steel Foundries, Bullard, American Export Lines, Erie Railroad. It is bad policy to reach too high for income return at expense to safety of capital.

Cyclical Stocks

Among stocks broadly classed as cyclical, there are many of strong companies whose present dividends appear likely to continue through the current cycle of business recession, and on which current yield in the area of 7% to 8% can be had. But, because they are subject to considerable interim and long-term market fluctuation, they should not be bought for emphasis on yield. Selected examples have appeal only for semi-speculative investors interested in possibility of capital appreciation combined with above-average current yield. Some examples are United States Steel, National Acme, Revere Copper & Brass, Youngstown Sheet & Tube, Allied Stores.

Depressed

There are many stocks selling much under highs attained earlier at various times in the postwar years. That does not of itself make them attractive. In most

INCREASE SHOWN IN RECENT EARNINGS REPORTS

		1953	1952
Fairchild Camera & Instrument	Year Dec. 31	$1.93	$1.66
Imperial Oil Co.	Year Dec. 31	1.60	1.38
Pacific Western Oil Corp.	Year Dec. 31	2.24	1.69
New York Central R.R.	Year Dec. 31	6.94	4.95
Acme Steel Co.	Year Dec. 31	3.25	2.35
Standard Oil of N. J.	Year Dec. 31	9.13	8.58
Follansbee Steel Corp.	Year Dec. 31	2.46	1.87
Climax Malybdenum Co.	Year Dec. 31	3.81	2.41
Amerada Petroleum Corp.	Year Dec. 31	5.85	5.04
El Paso Natural Gas	Year Dec. 31	3.35	2.92

cases the reasons are basic and have not changed. In a minority of cases, however, because of changed circumstances, altered management or other factors, recovery possibilities in depressed or semi-depressed stocks may be considerable. Some recovery "candidates" include Loew's, Pabco Products, Crown Cork & Seal, Coca-Cola (one of the best possibilities, as cited here before), Dresser Industries, Bohn Aluminum, Norwich Pharmacal, Glidden and Archer-Daniels-Midland.

National Biscuit

By far the leader in its field, this well-known old company for a time coasted too much and lagged behind such competitors as Sunshine Biscuits and United Biscuit in modernizing production facilities. But it has invested heavily in capital improvements over the last couple of years and has become more aggressive in advertising, promotion and expansion. The results are beginning to show up. In the first quarter, partly due to EPT lapse, earnings rose to 66 cents a share, from 55 cents in the year-ago quarter, a gain of 20%. It is improbable that the Sunshine and United first-quarter comparisons will match that. Finances are strong, with cash holdings increased last year by nearly 8% to $43.7 million, equal to total current liabilities. The management stated publicly in recent days that, with the company well along in its expansion program and with prospects favorable for 1954, it should be able "in the not too distant future" to consider an increase in the $2 dividend rate. If so, a $2.20 rate would seem a good probability, equal to a yield of over 5.9% at the stock's current price of 37; and a $2.40 rate possible, for a current yield of over 6.4%. On either potential this good-quality stock rates as a sound investment buy for income, and should be subject to at least moderate appreciation – if too much of the latter has not developed by the time you read these comments.

Groups

On the basis of percentage rise in recent days prior to this writing, the strongest stock groups include automobiles (almost wholly due to demand for General Motors), building materials, containers, coppers and other metal issues, electrical equipments, farm implements, oil, steel and tires. In some cases, this is merely "more of the same" in groups which had previously been popular for some time. In others it is improvement from previously depressed or semi-depressed levels. That is so of coppers and other metals, farm implements and steel.

Textiles

In terms of margins and earnings (or losses), textile business ranges from unsatisfactory to very bad. The trouble is not in end consumption, but in overproduction, intense competition and unprofitable pricing. Conditions are least adverse for cotton textiles and most adverse for rayons, with woolen goods in between. If the big weavers of rayon fabrics get fed up with booking business at a losing price, things could change for the better for them in no great time. But whether and when they will is conjectural. The primary makers of rayon, such as American Viscose and Celanese, have indeed run into lean times. First-quarter and first-half profit reports will make a drab showing. Some betterment might be possible in the second half, but cannot be projected on the basis of anything now in sight. In market value, these once highly popular "growth stocks" have for some time been "growing" in reverse. They are currently at new 1954 lows, with Viscose down to 33 from 1951 high of 78, Celanese down to a fraction under 18 from 1951 high of 58¼. Selected textiles have offered good speculative possibilities at times, and no doubt can do so again at some point, hinging on a trade turn—but it is a field of sub-average investment appeal.

Rails

Although lagging behind industrials and utilities, the Dow rail average at least held up remarkably well following release of the monthly income reports, showing wide declines from year-ago earnings in January and February, with the two-month total for the industry down nearly 65%. Subsequent results may have been somewhat less adverse, due to economies. There has been no general turn for the better in traffic. Comparisons should be better in the second half, especially if expected business improvement develops by autumn. The average has held in a range of 94.84 (January low) and 103.49 (February recovery high) so far this year. The lowest recent level, despite bad news, was nearly 4 points above the January low; and the average currently is "flirting with" its February high, at a level only 0.4 points under it. An upside break-through might encourage considerable buying of rails. Lower 1954 earnings promise to be much in excess of dividend rates of some of the strongest roads. Selected issues might be bought on a kind of "triple strategy"–(1) chance for short-term rise, given penetration of the February high; (2) sub-average risk (as rails go) if the current upside effort falters; (3) promise of capital gain anyway by late 1954 or early 1955 on the reasonable assumption of a reversal of business recession by or before that time. Rails worth considering on this basis include Atchison, Southern Railway, Texas & Pacific, Kansas City Southern and Illinois Central. In general, southern, southwestern and western roads have better prospects than eastern systems. The latter, for the most part, are still laboring under basically high costs of operation.

DECREASES SHOWN IN RECENT EARNINGS REPORTS

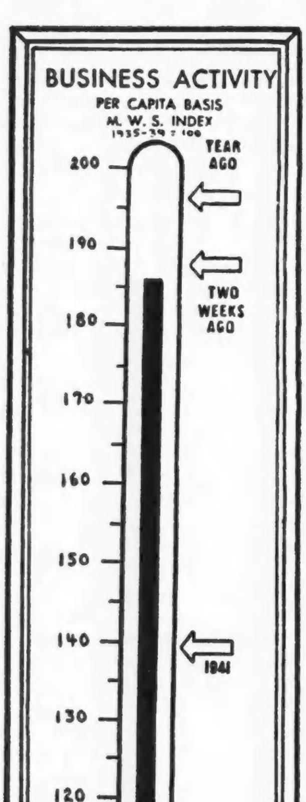
		1953	1952
Starrett Corp.	Year Dec. 31	$ .04	$ .42
New Jersey Zinc Co.	Year Dec. 31	1.38	6.15
Anaconda Wire & Cable Co.	Year Dec. 31	7.13	7.44
Barium Steel Corp.	Year Dec. 31	1.01	1.22
Seaboard Oil of Del.	Year Dec. 31	5.36	5.51
ACF—Brill Motors Co.	Year Dec. 31	1.37	1.95
Georgia-Pacific Plywood	Year Dec. 31	1.01	1.64
Reliable Stores Corp.	Year Dec. 31	2.66	4.37
Virginian Rwy.	Year Dec. 31	3.06	4.17
Olympic Radio & Television	Year Dec. 31	.14	.20

The Business Analyst

What's Ahead for Business?

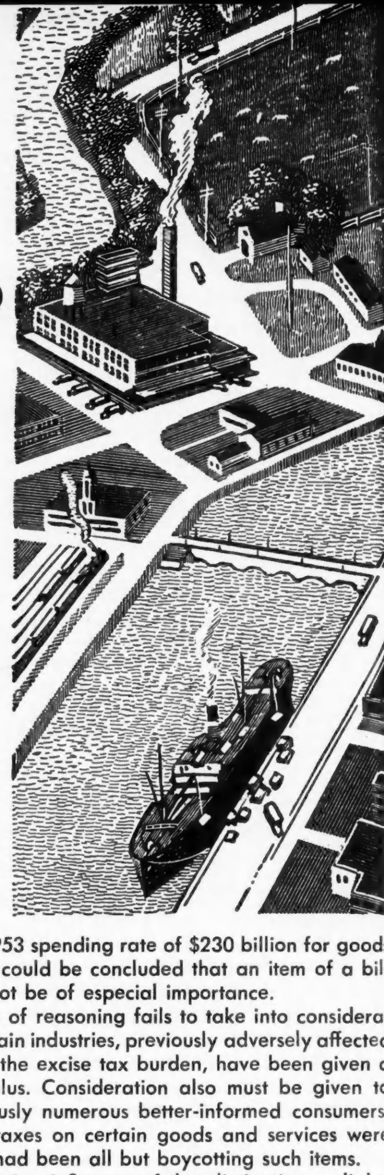
By E. K. A.

The paring of federal excise taxes on a long list of goods and services, effective April 1, thus far has provided less of an impetus to consumer spending than was generally expected. Those unfamiliar with consumer psychology had predicted a sharp rise in spending once taxes were cut back, and the failure of the spending rise to materialize substantially has influenced considerable belief that the reductions are relatively inconsequential as a consumer stimulus.



Actually, of course, there was no sound reason for expecting an immediate upsurge in consumer buying on the items where the tax burden has been lightened. If the Administration had desired a temporary fillip to consumer spending, it would have raised the excise taxes on numerous consumers' goods, effective June 1, for example. For, past experience has demonstrated that the public will step up its spending temporarily when increases in excise taxes are pending, cutting back on its purchases once the higher rates are in effect.

Once tax cutbacks are put into effect, on the other hand, consumers tend to take their time in buying and reaping the benefits thereof. As a matter of fact, despite the widespread publicity given the April 1 reductions, many consumers are not fully aware as yet of their significance. They only know, in numerous instances, that retail selling prices have been lowered to more attractive levels. And, prices were being lowered for some time prior to April 1, as a result both of large supplies and heightened consumer resistance, which in turn, reflected the contraction in national income and the uncertainty of job tenure for many consumers.



Theoretically, it might be assumed that consumer spending has been stimulated to the extent of about a billion dollars a year, i.e., the estimated savings emanating to consumers from the excise tax cutbacks. Consumer spending this year is expected to be slightly below the 1953 spending rate of $230 billion for goods and services, and it could be concluded that an item of a billion dollars would not be of especial importance.

However, this line of reasoning fails to take into consideration the fact that certain industries, previously adversely affected by the heaviness of the excise tax burden, have been given a sorely needed stimulus. Consideration also must be given to the fact that previously numerous better-informed consumers, feeling that excise taxes on certain goods and services were especially onerous, had been all but boycotting such items.

So far, the stimulating influence of the elimination or lightening of "nuisance taxes" cannot be measured statistically. For, the trend of retail sales—reflecting both reduced national income and stepped-up saving—has continued downward. It would be expecting too much to hope that the lower taxes would turn the tide.

In the months to come, however, there is every reason to expect tangible effects to become apparent. Taxes have been reduced from 20 percent to 10 percent, for instance, on such items as furs, jewelry, luggage, handbags, cosmetics, cameras, and sterling silverware. On some of these, particularly furs and Jewelry, the improvement in sales volume is likely to exceed the extent of the tax cut, since many consumers very obviously have been in open rebellion for the past year or more against what they considered unjustly high taxes.

It is reasonable to suppose that the reduced taxes on train, plane, and bus tickets will stimulate increased travel. And, when people travel, they tend to spend more than if they had stayed at home. On such durable goods as automobiles and refrigerators, there is little indication—judging by the very high sales figures of recent years—that taxes have been any deterrent to business or that sales will improve appreciably as a result of tax lowering.

The Business Analyst

HIGHLIGHTS

MONEY & CREDIT—Indications that the monetary authorities are actively pursuing an easy money policy can be seen in action recently taken by the Federal Reserve and the Treasury. First move in this regard last month was the cut in the discount rate by the Federal Reserve Bank of Chicago—to 1½% from 1¾%—which was soon adopted by the system's banks in New York and San Francisco. Although member bank borrowings from the Federal Reserve are low at present, the rate cut is still important as a concrete illustration of the Central Bank's determination to keep money rates down. The Treasury has given evidence of active cooperation in this endeavor by its recent borrowing pattern. Its latest offering consists of $1 billion of ultra-short tax anticipation bills maturing in 52 days, which can be used to pay taxes due in mid-June. These bills will afford a satisfactory haven for short-term funds and still leave lenders free to supply longer-term borrowers. The latter are now coming to market in greater numbers as can be seen from the close to $400 million of corporate bond offerings scheduled for April and May. Municipal borrowing has been especially heavy, a condition that will continue right through the summer months. The Treasury, which certainly does not want to interfere with other borrowers, will, in a few weeks, be faced with the problem of paying off $7.2 billion of maturing Federal obligations and also of raising needed new money. A likely solution would be the lowering of reserve requirements, a move that the Federal Reserve may now be giving earnest consideration. Large banks in Chicago and New York have recently requested such a reduction which would certainly fit in with recent monetary policy.

The bond markets have not been much affected by the recent credit developments. Among Treasury obligations, the Victory 2½s of 1972-1967 closed on April 19 at the same level as two weeks earlier although the 3¼s of 1983 gained 3/16 point during the period. Best-grade corporates seem to have achieved a state of utter immobility and an average of yields on these issues has remained unchanged for a full month at 2.85%. In the new issue department, a struggle is going on at the 3% line. AA-rated public utility issues recently offered to yield less than this have received a poor reception. Evidently the investor refuses to put his money into any but the very best-grade issues if he cannot get at least 3% in the way of return. Tax-exempts have been weak sisters for some time now, mainly as a result of the heavy calendar of new offerings. Further price declines were the rule in the two weeks ending April 15 and the Bond Buyers' yield index has now risen 10 basis points from lows reached in mid-March to a current level of 2.48%.

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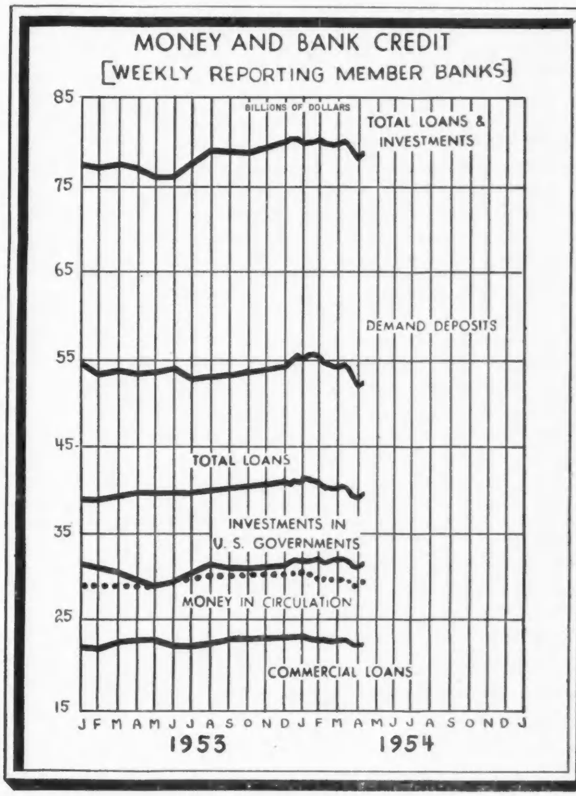
TRADE—Buying for Easter buoyed retail sales in the week ending Wednesday, April 14, and Dun & Bradstreet estimates that dollar volume was 1% ahead of the corresponding 1953 week. Apparel stores experienced heavy demand although shoppers were quite price-conscious. Food sales remained stable with dairy products moving better as the result of recent price reductions. Household goods and big-ticket items were neglected as buyers concentrated on replenishing



Spring wardrobes for the holiday.

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INDUSTRY—The pace of industrial output was only slightly lower in March. The Federal Reserve Board estimates that its index of output stood at 123% of the 1947-1949 average, a drop of only 0.9% from the previous month, although 9% under March, 1953. Production of durable goods in March was 3% under February while output of nondurables and minerals was unchanged. In hard goods, the main weakness in March was in output of primary metals which fell 6.5% from February rates and was 26% below the level of March, 1953. Metal fabricating also was lower with a decline of 2.6% from the previous month.

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COMMODITIES—The general run of commodities have been holding well and the Bureau of Labor Statistics index of primary prices rose 0.1% in the week ending April 13 to close at 111.0% of the 1947-1949 average. A small increase in prices of farm products and processed foods accounted for

(Continued on following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Feb.	3.5	3.4	3.5	1.6
Cumulative from mid-1940	Feb.	540.7	537.2	488.2	13.8
FEDERAL GROSS DEBT—$b	Apr. 13	269.9	270.0	264.4	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Apr. 7	52.4	51.8	52.7	26.1
Currency in Circulation	Apr. 14	29.8	29.8	29.8	10.7
BANK DEBITS—(rb3)**					
New York City—$b	Mar.	63.5	62.4	50.4	16.1
344 Other Centers—$b	Mar.	98.9	96.6	95.1	29.0
PERSONAL INCOME—$b (cd2)	Feb.	283	284	281	102
Salaries and Wages	Feb.	190	191	191	66
Proprietors' Incomes	Feb.	50	50	50	23
Interest and Dividends	Feb.	23	23	22	10
Transfer Payments	Feb.	15	15	13	3
(INCOME FROM AGRICULTURE)	Feb.	17	17	18	10
POPULATION—m (e) (cb)	Feb.	161.3	161.1	158.6	133.8
Non-Institutional, Age 14 & Over	Feb.	115.8	115.7	119.5	101.8
Civilian Labor Force	Feb.	63.7	62.8	62.7	55.6
Armed Forces	Feb.	3.4	3.5	3.5	1.6
unemployed	Feb.	3.7	3.1	1.8	3.8
Employed	Feb.	60.1	59.8	60.9	51.8
In Agriculture	Feb.	5.7	5.3	5.4	8.0
Non-Farm	Feb.	54.3	54.5	55.5	43.2
Weekly Hours	Feb.	41.0	41.0	41.3	42.0
Man-Hours Weekly—b	Feb.	2.23	2.23	2.29	1.82
EMPLOYEES, Non-Farm—m (lb)	Feb.	47.5	47.8	48.4	37.5
Government	Feb.	6.7	6.7	6.6	4.8
Factory	Feb.	12.7	12.8	13.7	11.7
Weekly Hours	Feb.	39.5	39.4	40.9	40.4
Hourly Wage (cents)	Feb.	179.0	180.0	174.0	77.3
Weekly Wage ($)	Feb.	70.71	70.92	71.17	21.33
PRICES—Wholesale (lb2)	Apr. 13	111.0	110.9	109.4	66.9
Retail (cd)	Jan.	209.5	209.1	209.0	116.2
COST OF LIVING (lb2)	Feb.	115.0	115.2	113.4	65.9
Food	Feb.	112.6	113.1	111.5	64.9
Clothing	Feb.	104.7	104.9	104.6	59.5
Rent	Feb.	127.9	127.8	121.5	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Feb.	13.9	13.6	14.5	4.7
Durable Goods	Feb.	4.7	4.4	5.3	1.1
Non-Durable Goods	Feb.	9.2	9.2	9.2	3.6
Dep't Store Sales (mrb)	Feb.	0.82	0.79	0.80	0.34
Consumer Credit, End Mo. (rb)	Feb.	27.5	28.1	25.5	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total**	Feb.	21.8	20.8	24.5	14.6
Durable Goods	Feb.	9.5	8.6	12.4	7.1
Non-Durable Goods	Feb.	12.3	12.2	12.1	7.5
Shipments—$b (cd)—Total**	Feb.	23.6	23.9	24.7	8.3
Durable Goods	Feb.	11.4	11.6	12.7	4.1
Non-Durable Goods	Feb.	12.3	12.3	12.1	4.2
BUSINESS INVENTORIES, End. Mo.**					
Total—$b (cd)	Feb.	80.3	80.7	77.7	28.6
Manufacturers'	Feb.	46.1	46.4	44.6	16.4
Wholesalers'	Feb.	11.9	11.8	11.4	4.1
Retailers'	Feb.	22.4	22.5	21.7	8.1
Dept. Store Stocks (mrb)	Feb.	2.2	2.3	2.3	1.1
BUSINESS ACTIVITY—1—pc	Apr. 10	185.2	185.4	196.6	141.8
(M. W. S.)—1—np	Apr. 10	229.1	229.4	237.5	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 185)

the rise as the index of industrial materials remained unchanged. Among the latter, higher prices were reached by burlap, coconut oil, tallow, copper ingots, lead and tin. These increases were offset by declines for wool tops, linseed oil, mid-continent residual fuel oil and crude rubber.

—o—

Highly pleasing results continue to come from the building industry which reports that **EXPENDITURES FOR NEW CONSTRUCTION** in March amounted to $2,538 million, a seasonal 9.5% above February and slightly ahead of March, 1953. Outlays for the first quarter of this year were a record $7,283 million, 1.5% above the corresponding 1953 period. Private construction in the first quarter was 4% above a year ago with commercial construction up 44% while industrial building dropped 12.4%. Public construction fell 3.7% although highway building had an 8.2% gain.

The second quarter also looks promising for the industry, judging by F. W. Dodge Corporation reports on **CONSTRUCTION CONTRACT AWARDS.** March awards came to $1,528 million, the highest for any March on record and they bought first quarter awards to $3,900 million, or 13% over the similar period of last year. These awards usually foreshadow actual building some three months ahead so that the industry is expecting a high level of activity for some months to come.

* * *

There was a good pick-up in **EXPORTS** in February with shipments rising to $1,180 million, from $1,090 million the previous month, according to compilations of the Census Bureau. Military exports under the Mutual Security Program, amounting to $184 million, are included in the February figures, a rise from $169 million the previous month. There were increased exports of machinery, vehicles, cotton, grains and chemicals while tobacco exports declined. **IMPORTS** were off a bit in February, to $809 million, from $833 million the previous month and $856 million in February, 1953. There were lower imports than the previous month for coffee, cocoa, tin and aluminum while incoming consignments of sugar, whiskey, wood, paper and aircraft parts were higher.

* * *

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—la np (rb)	Mar.	123	124	135	93
Mining	Mar.	112	112	115	87
Durable Goods Mfr.	Mar.	135	139	155	99
Non-Durable Goods Mfr.	Mar.	113	113	119	89
CARLOADINGS—t—Total	Apr. 10	607	599	721	933
Misc. Freight	Apr. 10	337	339	377	379
Mdse. L. C. L.	Apr. 10	64	65	71	66
Grain	Apr. 10	39	40	39	43
ELEC. POWER Output (Kw.H.) m	Apr. 10	8,396	8,463	8,001	3,266
SOFT COAL, Prod. (st) m	Apr. 10	6.7	5.9	8.5	10.8
Cumulative from Jan. 1	Apr. 10	102.6	95.9	122.7	44.6
Stocks, End Mo.	Feb.	75.2	75.7	73.3	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Apr. 10	6.6	6.5	6.3	4.1
Gasoline Stocks	Apr. 10	180	180	160	86
Fuel Oil Stocks	Apr. 10	44	44	41	94
Heating Oil Stocks	Apr. 10	58	60	61	55
LUMBER, Prod.—(bd. ft.) m	Apr. 10	248	250	257	632
Stocks, End Mo. (bd. ft.) b	Feb.	9.2	9.1	8.2	7.9
STEEL INGOT PROD. (st) m	Feb.	7.1	8.0	8.9	7.0
Cumulative from Jan. 1	Feb.	15.0	8.0	18.8	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Apr. 15	307	314	195	94
Cumulative from Jan. 1	Apr. 15	3,417	3,110	4,581	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Apr. 10	230	298	223	165
Cigarettes, Domestic Sales—b	Jan.	32	29	35	17
Do., Cigars—m	Jan.	412	437	436	543
Do., Manufactured Tobacco (lbs.)m	Jan.	15	14	17	28

PRESENT POSITION AND OUTLOOK

Manufacturers shipped 5,383,876 **PASSENGER TIRES** to distributors in February, a 10.1% decrease from January, the Rubber Manufacturers Association has reported. Production jumped 13.4% in February as 5,952,480 tires were turned out, as against 5,251,403 units produced the previous month. As a result of the lighter shipments and increased output, inventories in producers' hands rose 4.5% to 12,834,833 tires at the month-end from 12,279,042 units the previous month. A year ago manufacturers had 12,310,653 tires in stock. The high for inventories was in April, 1953 when 13,665,786 tires were on hand.

* * *

Outlays for **NATIONAL ADVERTISING** dipped slightly in February according to the seasonally adjusted index compiled by Printers' Ink. This index stood at 161% of the 1947-1949 average in February, a 2% decline from the previous month. However, it was a hefty 18% ahead of the corresponding 1953 period. Network television had the biggest gain over a year ago, one of 53%, while magazine advertising expenditures were up 13% and newspapers gained 3%. Network radio continued to lage with a 2% drop from a year ago.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. l—Seasonally adjusted index (1935-9—100). la—Seasonally adj. index (1947-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

No. of Issues (1925 Cl.—100)	1953-'54 Range High	1953-'54 Range Low	1954 Apr. 9	1954 Apr. 15
300 COMBINED AVERAGE	215.5	177.2	212.6	213.5
4 Agricultural Implements	263.3	179.0	218.4	211.2
10 Aircraft ('27 Cl.—100)	543.3	330.3	535.1	527.0
7 Airlines ('27 Cl.—100)	693.9	492.6	566.5	546.8
7 Amusements	106.5	76.4	106.5	105.7
10 Automobile Accessories	289.4	213.8	255.2	252.9
10 Automobiles	49.4	39.0	41.2	40.8
3 Baking ('26 Cl.—100)	28.0	23.0	23.7	23.7
3 Business Machines	425.6	311.4	415.0	415.0
2 Bus Lines ('26 Cl.—100)	240.8	170.2	236.1	238.4
6 Chemicals	398.8	337.9	395.8	398.8A
3 Coal Mining	15.4	9.0	10.2	10.7
4 Communications	69.3	58.6	66.3	68.7
9 Construction	77.7	57.9	76.5	77.7A
7 Containers	588.6	456.9	573.9	588.6A
9 Copper & Brass	175.4	125.3	161.2	162.6
2 Dairy Products	109.3	82.3	107.2	109.3A
5 Department Stores	63.3	54.6	63.3	62.8
5 Drug & Toilet Articles	261.1	203.8	251.6	261.1A
2 Finance Companies	470.6	341.8	466.6	470.6A
2 Food Brands	200.4	185.0	198.4	198.4
2 Food Stores	140.9	113.0	135.5	138.2
3 Furnishings	79.2	59.6	68.6	66.7
4 Gold Mining	760.0	502.3	627.9	642.9

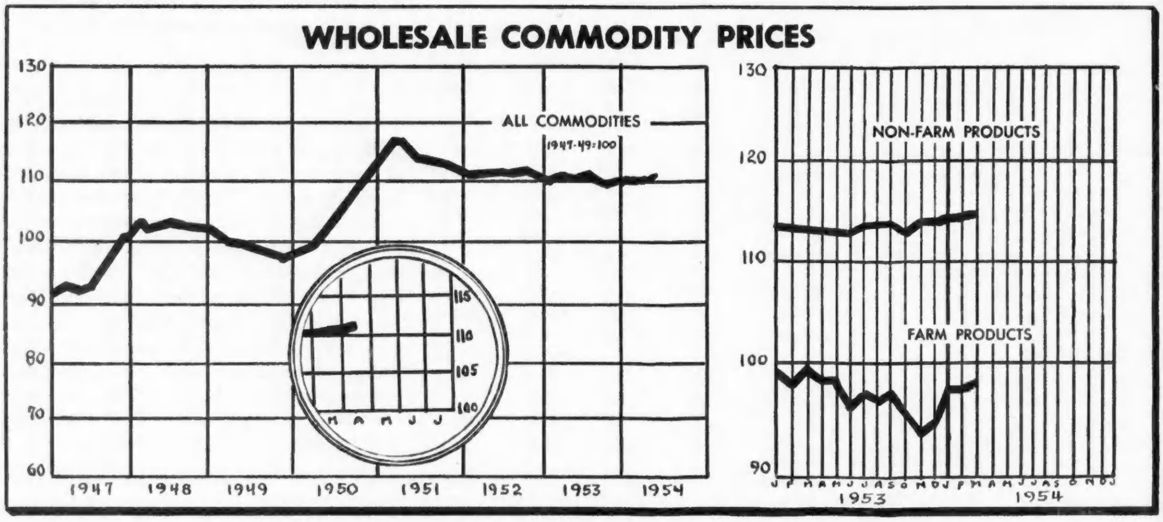
A—New High for 1953-'54.

(Nov. 14, 1936, Cl.—100)	High	Low	1954 Apr. 9	1954 Apr. 15
100 HIGH PRICED STOCKS	139.6	114.4	137.9	139.6A
100 LOW PRICED STOCKS	260.5	203.7	247.6	247.7
4 Investment Trusts	112.7	93.1	110.2	11.12
3 Liquor ('27 Cl.—100)	967.8	811.1	840.1	831.5
11 Machinery	240.6	181.0	236.5	236.5
3 Mail Order	128.6	101.0	118.8	119.8
3 Meat Packing	101.7	78.7	86.6	88.3
10 Metals, Miscellaneous	284.5	198.4	261.3	265.3
4 Paper	562.9	394.9	539.8	562.9A
24 Petroleum	488.8	376.5	476.7	488.8A
22 Public Utilities	210.0	173.8	210.0	210.0
8 Radio & TV ('27 Cl.—100)	36.9	27.6	31.2	31.2
8 Railroad Equipment	64.1	49.1	56.3	55.8
20 Railroads	53.2	41.8	45.1	45.6
3 Realty	57.2	42.3	56.7	57.2A
3 Shipbuilding	330.8	228.7	322.0	316.1
3 Soft Drinks	433.3	339.0	429.5	429.5
11 Steel & Iron	151.4	122.8	148.1	148.1
3 Sugar	59.8	45.9	52.3	53.2
2 Sulphur	661.0	525.5	650.3	661.0A
5 Textiles	162.2	101.3	111.4	105.4
3 Tires & Rubber	100.1	70.4	99.2	100.1A
5 Tobacco	105.2	81.1	84.5	82.8
2 Variety Stores	319.5	277.2	283.0	277.2Z
16 Unclassified ('49 Cl.—100)	125.7	97.0	112.4	113.5

Z—New Low for 1953-1954.

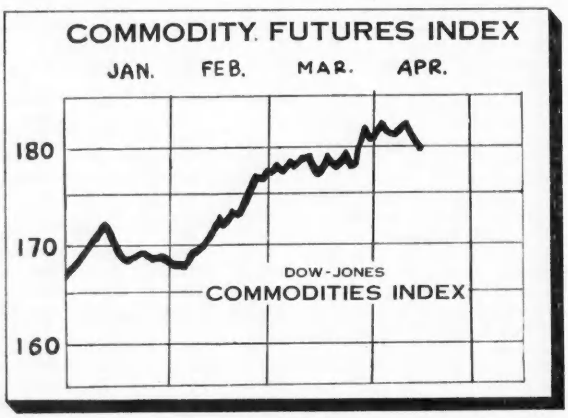
Trend of Commodities

Commodity futures followed singularly individual paths in the two weeks ended April 19. Wheat was lower, soybeans skyrocketed, fats and oils were strong while cotton and coffee declined. The Dow-Jones Commodity Futures Index closed at 181.65, up 0.29 from its April 5 closing. May wheat lost 2¾ cents in the period under review to close at 215. The four-month dry spell in Texas and Oklahoma was broken by heavy downpours which improved crop prospects in a large part of the hard winter wheat belt. This more than offset the Agricultural Department's estimate as of April 1, that winter wheat output would amount to only 678 million bushels, a drop of 200 million bushels from last year's harvest. May corn was up ¾ cents in the two weeks ending April 19. Nearly 332 million bushels of corn have been placed in the Government loan through March 15, compared with 270 million bushels a year ago. However, large Government stocks from the 1948-1949 crops still overhang the market and act as a restraining influence. Soybeans were a market feature in the period under review and the May option gained 35¾ cents in the two week period. The supply situation looks tight with farm stocks on April 1 some 23 million bushels under a year ago. Lard and vegetable oils moved higher with the former gaining 2.93 cents for the May future to close at 22.30 cents. May cottonseed oil was up 57 points and May soybean oil added 79 points. The rise in soybean prices influenced these commodities as did the Washington announcement that cottonseed products would get support at 75% of parity. A lower loan level had been expected. May coffee lost 2.91 points during the period to close at 90.39 cents. The end of the dock strike encouraged selling and profit-takers were numerous.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices—1947-1949, equals 100

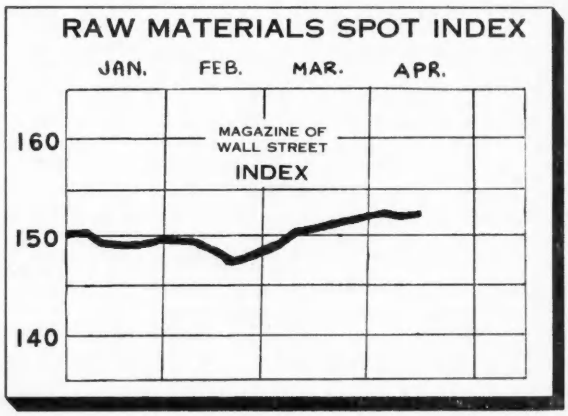
	Date Apr. 19	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	93.6	91.6	87.7	87.6	53.0
9 Foodstuffs	104.5	101.6	96.7	88.7	46.1
3 Raw Industrial	86.5	85.1	81.8	87.0	58.3
5 Metals	94.8	97.7	83.1	97.8	54.…
4 Textiles	87.3	87.3	88.0	86.9	56.…
4 Fats & Oils	77.6	74.4	69.9	60.9	55.…



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1953-'54	1952	1951	1945	1941	1939	1938	1937
High	162.2	181.2	215.4	111.7	88.9	67.9	57.7	86.6
Low	147.8	160.0	176.4	98.6	58.2	48.9	47.3	54.6



Average 1924-26 equals 100

	1953-'54	1952	1951	1945	1941	1939	1938	1937
High	181.9	192.5	214.5	95.8	74.3	78.3	65.8	93.…
Low	153.8	168.3	174.8	83.6	58.7	61.6	57.5	64.…

Keeping Abreast of Industrial and Company News

A new line of multi-grade motor oils introduced by **Standard Oil Co.** (Indiana) will, the company belives, save motorists up to two gallons of gasoline out of every tankful of fuel. This estimate is based on results from road tests at Standard's automotive laboratory as well as field tests. Not only did these tests show gasoline savings but cut oil consumption by an average of 37%. The new oils are being marketed under the name "Super Permalube" and are available in three grades, each with a wide service range.

A new heavy denier voluminized acetate yarn has been added to **Celanese Corporation of America's** line of products. The new yarn can be used in the manufacture of drapery, upholstery and other fabrics with a novelty hand-loomed appearance. A patented processing method for the yarn provides individual crimp to each filament, and the resulting fullness and bloom creates covering qualities which recommend it for pile fabrics of both the cut and loop varieties. When used in combination with other fibers, the voluminous yarn produces many variations.

What is said to be the world's strongest conveyor belt is to be manufactured by the **Goodyear Tire & Rubber Co.**, for installation at a northern Minnesota mining operation. The belt is designed to operate at 120,000 pounds of working tension to haul low-grade iron ore 1,000 feet on a line while lifting its load 280 feet. Maximum tonnage on the five-foot wide belt will be 3,360 tons an hour, or about a ton every second, at a speed of 395 feet a minute. The belt will require in its manufacture 48,000 pounds of specially compounded rubber, 7,000 square yards of belt fabric for plies, and 85 miles of high tensile steel cable and will be constructed to work at 2,000 pounds of tension per inch of width.

Fire-resistant railroad car vestibule diaphragms made with "Dynel", **Union Carbide & Carbon Corp.'s** new fiber have proved successful on large-scale tests. The diaphragms, manufactured by the Morton Manufacturing Co., are now available generally for use on passenger cars, baggage cars, diners, and many Diesel power units to replace the accordion-like canopies heretofore in use and which have created a variety of service problems. The number of fires in the older diaphragms, and resultant train delays, caused one railroad to investigate several fire-resistant diaphragm materials, finally adopting those made of "Dynel" when it was found that this material, in addition to being fire-resistant, resisted the effects of repeated cleanings, lost none of its strength when wet, and is inherently mildewproof. "Dynel" diaphragms are shortly to be produced in colors to harmonize with car color schemes, according to the Morton Company.

"Sky High Power" is the name **Tide Water Associated Oil Co.**, has given to its new Tydol Flying -A- ethyl gasoline which it introduced recently in eastern markets. According to the company, this new gasoline is "the finest, most powerful and most efficient motor fuel Tidewater Associated has ever produced." It states that by tests, in the laboratory and on the road, "Sky High Power" has superior anti-knock and anti-stall qualities, delivers more power and mileage, and provides smoother idling, quicker warm-up, instant acceleration, and cleaner engines. The company also announces that it will soon introduce a "great new motor oil in its eastern marketing area."

Gardners are now using thinly-rolled aluminum foil as a mulching material. Foil designed especially for such use is being marketed by **Reynolds Metals Co.**, through its Building Products Division and is sold under the name "Garden Foil" in such retail outlets as garden-supply houses, hardware and department stores. For the use of foil mulching, the soil is prepared in the usual manner. Then the foil is rolled out along each side of the plant or seed rows to virtually eliminate weeds, help the soil retain moisture, and reduce insect and plant diseases. Reynolds Metals states that research tests with aluminum mulching foil by a University of Kentucky horticulturist, indicate as much as 400% increase in tomato yield, with a notable decrease in certain types of insect and disease damage. In using mulching foil it is recommended that slits about three inches long should be cut in the foil at natural shallow depressions between the rows to allow water to enter the earth.

Production of metal food and non-food cans by the United States container industry last year set an all-time record of more than 35.6 billion units, according to a statement of the **American Can Co.** This output represented a 6.2% increase over 1952, and was almost double the industry's 1939 production.

In conjunction with Farbenfabriken Bayer Aktiengesellschaft of Germany, **Monsanto Chemical Co.,** has organized a jointly-owned company, unnamed as yet, to produce isocyanate chemicals in the U.S. These are chemicals used to manufacture porous plastics such as foam rubber, and rigid type plastics used as insulating and packaging materials. It is proposed to erect a "multi-million dollar" plant to house the new company's operations.

To meet rapidly increasing demands for chlorinated rubber base paints and finishes, **Hercules Powder Co.,** plans a 50% expansion in production facilities at its Parlin, N. J., plant. The company's Parlon chlorinated rubber is used in quick drying

rubber-base paints that are employed for marking traffic lines on roads, to line swimming pools and for basement floors and in marine painting. Parlon is also used in printing inks, adhesives, flameproof coatings and many other applications.

What is said to be the largest solar furnace in the U.S., has been put into operation at the San Diego Division of **Consolidated Vultee Aircraft Corp.** One basic part of the equipment is a polished aluminum mirror 10 feet in diameter shaped into a parabolic reflector which draws its power from the sun. The rays are collected by the mirror and reflected to a focal point. Under ideal sky conditions, the furnace is capable of developing a temperature of 8,500 degrees Fahrenheit which can melt a steel bolt in a matter of seconds. The company states that the furnace has several advantages. Heating is done under exceptionally pure and oxidizing atmosphere without interference from electric or magnetic fields or gases.

By early next month, **Gulf Oil Corp.,** is expected to start drilling the first exploratory well on its 5,760-acre tidelands oil lease in the Gulf of Mexico off Corpus Christi, Texas.

Following successful tests of a demonstration-size pipeline to carry coal, the **Pittsburgh Consolidation Coal Co.,** is now giving consideration to the building of a pipeline as a commercial operation. The company has engaged an independent engineering firm to determine the cost of constructing such a line for a distance of 110 miles from the Cadiz, Ohio, mines to Cleveland. In operation, the line would carry coal in the form of "slurry", a mixture of coal and water.

New qualities are now given to wool through the application of silicone water-repellent finishes that have been developed by Dow-Corning Silicones, Ltd., owned jointly by **Dow Chemical Co.,** and **Corning Glass Works.** It is said that silicone finishes not only give woolens and worsteds water repellency that can withstand dry cleaning, but increase stain resistance and crease retention, and improve the hand and wear-life of the fabrics. It is also that that sewing tests on silicone-treated woolens and worsteds show that seam strength is increased by about 60%. **Pacific Mills** is producing a gabardine type of wool called "Covera" treated with the Dow Corning silicone finish that will be available in garments in retail stores next Fall. Dow Corning states that the finish is also being applied to upholstery fabrics made of wool and woolen blends and these represent an advance in the field of stain-resistant textiles.

Cyana Superset is the appelation given by **American Cyanamid Co.** to its improved wrinkle-resistant finish for cottons that increases wrinkle recovery over the former finish by as much as 18% before washing and 31% after washing. The company states that fabrics treated with the present finishes have a tendency to retain chlorine when washed with household bleaches which reduce tensile strength and causes yellowing, on occasion, under a hot iron. Fabrics treated with Cyana Superset finish show little or no loss of tensile strength and little or no yellowing. The new finish also reduces "bleeding" or running of direct dyes and improves the fastness of many types of dyes in the wash.

Within five years of the first installation in a New York building, the fully-automatic Westinghouse operatorless elevator has far surpassed conventional systems in aceptance by building management, according to the Elevator Division of **Westinghouse Electric Corp.** It is stated that this type of elevator system, capable of anticipating passenger needs and acting without attendants of any kind, now totals more than 80% of elevator sales for new and modernized buildings. Electric computers—heart of the system—enables operatorless elevators to adjust automatically to changing traffic demands on a 24-hour basis. A "traffic sentinel," a new development by Westinghouse, has been designed to further increase the operating efficiency of these elevators. Heretofore, in the fully-automatic operatorless system, car doors remained open a predetermined time, usually four to seven seconds. The new device throws an invisible beam of light that is triggered by entering or departing passengers, and the doors close without unnecessary delay. All time decisions on door-closing are made automatically by an electronic "brain" hooked up with the light beam.

Passengers using the Pittsburgh, Pa. station of the **Pennsylvania Railroad,** or the South Station, Boston, of the **New York Central System,** who prefer to take care of their own baggage while boarding or leaving trains are now being offered a new convenience. Each of the two stations is provided with a number of coin-operated racks, placed at strategic points near street entrances and exits and along train platforms. Upon inserting a 25-cent coin, the racks will release a cart made of light tubular metal and equipped with rubber-tired ball-bearing wheels, large enough to hold three or four average-size pieces of luggage. Upon reaching the train, the passenger puts the carrier in a rack on the train platform, receiving in return a refund of 10 cents. Passengers leaving trains can "rent" one of the carriers by depositing a 25-cent coin in the station platform rack, wheel their baggage to a street exit and get their 10-cent refund by putting the carrier back in a conveniently located rack. It is stated that the new luggage carts, designed and manufactured by the American Locker Company, will be installed at terminals and stations in other cities if the public likes them.

A new hydraulic power steering unit for airplanes, which increases maneuverability on landing or taxiing, has been developed by the Bendix Products Division of **Bendix Aviation Corp.** The new device replaces other methods of steering a plane on the ground, such as through the use of rudders and brakes. Among its advantages are a saving in weight and space by combining part of the shock-absorbing functions of the conventional aircraft nose strut with power steering. Because of its installation on the nose wheel the unit, Bendix says, is easily serviced, being readily accessible.

Bottles are being made stronger through a new silicone treatment. The Brockway Glass Co., states that a coating of **General Electric Co.'s SM-70** silicone emulsion reduced breakage in bottle-filling process to 0.014% from the normal 0.1 to 0.3% breakage level. Hydrodynamic tests showed that a 75% total of silicone-treated bottles were broken after a standard 11-inch drop, as compared to 51% breakage of untreated bottles.

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. **Confine your requests to *three listed securities* at reasonable intervals.**
3. No inquiry will be answered which does not enclose ***stamped, self-addressed envelope.***
4. **No inquiry will be answered which is mailed in our postpaid reply envelope.**
5. **Special rates upon request for those requiring additional service.**

Minneapolis-Honeywell Regulator Co.

"Kindly oblige me with late information in regard to Minneapolis-Honeywell Regulator Company and please include new developments in the company's operations.

F. W., East Orange, N. J.

Sales of Minneapolis-Honeywell Regulator Company, world's largest manufacturer of automatic controls, increased approximately 29% in 1953 to pass the $200 million mark for the first time in the company's history. Sales totaled $214,018,825 compared to $165,-710,384 in 1952.

Earnings before taxes were up $8,082,822 over the previous year to a total of $28,687,825, an increase of 39%.

For the year ended December 31, 1953, net earnings were $10,-329,825, after providing $18,358,-000 for income and excess profits taxes. Of this total, $3,210,000 were for excess profits taxes. In the previous year, net earnings amounted to $9,081,003 after providing $11,524,000 for taxes.

The 1953 net income was equivalent to $3.31 a share on 3,119,353 shares of common stock outstanding. In 1952, earnings were $3.00 a share on 2,827,495 shares of common stock outstanding, after payment of preference stock dividends of $600,000. Per share earnings for 1953 were based on common stock outstanding at the year-end following conversion of preference stock, and accordingly the calculation disregarded dividends on the preference stock during the year. Based on the capitalization prior to the conversion of the preferred, earnings per share in 1953 would have been $3.44.

The company spent $7,100,000 during the year for expansion of plants and equipment, including the acquisition of enlarged facilities in a Minneapolis suburb for its research center. Also, capital expenditures totaling $1,500,000 were authorized to be completed in 1954.

Honeywell produces some 9,000 different automatic control devices and systems, ranging from residential heating and air-conditioning controls to extremely complex and sensitive controls for industrial uses and military and commercial aircraft.

Virtually every field of technology is striving today to obtain better results by means of automatic controls. Two significant trends in the industrial field are the accelerating use of automatic control equipment to cover more of the processing industries and, too, the attention being devoted to the "automatic factory".

In the aeronautical field, supersonic flight and increased missile effectiveness point to the increasing reliance that must be placed on automatic control. The company's aeronautical division gained the distinction during 1953 of having produced more electronic automatic pilots than any other company. It turned out its 40,-000th unit—an advance model being used on several of the newest jet fighters.

In the company's heating control business, the year 1953 was marked by the introduction of the industry's first "round" thermostat and by significant growth in the sales of more efficient control systems, such as an electronic system which features an outdoor thermostat and varies indoor temperatures according to outside conditions.

Dividends in 1953 totaled $2.25 per share and 50¢ was paid in the first quarter of the current year.

Pittsburgh Consolidation Coal Co.

"Please report information regarding recent earnings of Pittsburgh Consolidation Coal Company and dividend payments."

A. I., Harrisburg, Pa.

Pittsburgh Consolidation Coal Company reported 1953 net income, excluding profit on disposal of properties and investments, of $14,439,435 or $6.71 per share, compared wih $14,866,395 or $6.86 per share earned in 1952.

Production from company mines totaled 22,447,000 tons, compared with 23,542,000 in 1952. However, there was a large increase in the output of supervised operations, owned jointly with steel companies. Including this tonnage, 1953 production was 27,-210-000 tons as compared with 26,344,000 tons in 1952. In addition, the company also sold 2,727,-000 of agency and purchased coal.

The electric power industry was again revealed as the largest customer for the output of company mines. The use of electricity, particularly in the home, becomes steadily more important in the coal industry. The company credits the utility industry and the appliance manufacturers for the growth of this market and the president of the company stated "the next five years will show an even greater gain in the use of the myriad of household appliances which have been respon-

sible for the return of coal (by wire) to the kitchen, living-room and basement."

Imports of residual oil increased during 1953 and made added inroads into coal markets on the Eastern Seaboard. Therefore, dur-1954 the company will continue to exert its best efforts toward having the importation of such oil drastically reduced in an effort to maintain a strong coal industry.

Additions to coal preparation facilities and mine portals highlighted the company's improvements in 1953; and another new preparation plant was authorized. Authorization for other major capital additions include $4 million for acquisition of additional barges to accommodate increasing river busines and $2.5 million for a new gigantic stripping shovel.

Dividends in 1953 totaled $3.00 per share and 75¢ was paid in the first quarter of the current year.

Greyhound Corporation

"Please submit comparative operating revenues of Greyhound Corporation for the past two years, also please comment on proposed new acquisitions to the system."

S. L., Dover, Del.

Operating revenues of the Greyhound Corporation reached $244,-928,505 in 1953, 7% above the total of $229,005,831 for 1952. Net income for the year was approximately the same as for 1952.

Consolidated net income for 1953 applicable to the Greyhound Corporation amounted to $13,801,-400, equivalent after preferred dividends to $1.27 a share on 10,-600,367 common shares outstanding. This compares with net of $13,595,651 for the year 1952, equivalent on the same basis to $1.26 a share of common stock. The 1953 net income reflects the acquisition of Overland Greyhound Lines for the full year, as well as uninterrupted operation of Pacific & Northwest Greyhound Lines, which were affected by strikes in 1952.

Revenues from special services, such as chartered busses, highway tours, and package express, made unusually large gains again in 1953. Revenue per bus mile for the year 1953 was 44.5¢ against 44.4¢ a mile in 1952. Bus miles operated in 1953 totaled 550,883,681 miles compared with 516,119,320 operated in the preceding year.

Operating expenses per bus mile for the year amounted to 37.9¢, an increase of 1.6% over the 37.3¢ a mile for the previous year. Wage costs increased approximately 1¢ a mile.

The proposed acquisition of the outstanding minority interests in Greyhound's two largest subsidiaries, Pennsylvania and Pacific Greyhound Lines, announced last fall, continues the trend of recent years toward the integration of corporate subsidiaries into the Greyhound Corporation as operating divisions. These purchases, subject to Interstate Commerce Commision approval, will benefit Greyhound substantially by providing an opportunity for operating economies and for more efficient coordination of service and facilities.

The new 43-passenger Scenicruiser bus will be placed in system-wide use in 1954, as deliveries are received on an order for 500 of these buses. The new Scenicruisers incorporate many innovations in design never before available in motor-bus transportation, that improve riding comfort immeasurably. They will be used first on through, express and limited schedules which now serve most of the major cities throughout the country.

Dividends in 1953 totaled $1.00 per common share and 25¢ quarterly has been paid thus far in the current year.

Tung-Sol Electric, Inc.

"Please report recent highlights in operations of Tung-Sol Electric Company and also prospects for the company in the current year and include in your report sums spent in 1953 for expansion of plant and equipment."

O. C., Stanford, Conn.

Sales of Tung-Sol Electric Inc. last year reached record highs for the sixth straight year. Net sales for 1953 amounted to $40,017,549, nearly 13% more than 1952 sales of $35,489,558.

Net earnings in 1953 amounted to $1,780,882 equivalent, after preferred dividends, to $3.07 per share on the 554,902 common shares outstanding on December 31, 1953 compared with $2,007,713, or $3.75 per share on the 514,056 common shares outstanding at year-end 1952.

In addition to higher costs of labor, materials, engineering and research in 1953, certain non-recurring expenses also affected earnings. These included the moving of cathode ray tube manufacturing from the Bloomfield, N. J. plant to the East Orange, N. J. plant with a consequent re-alignment of space at both plants, and re-scheduling of production and inventory at all plants to permit greater efficiency at current levels of demand. Expenditures of approximately $2 million for plant and equipment in 1953 went to boost cathode ray tube and sealed beam production, to expand and decentralize production of signal flashers, to provide additional space for research and development and to mechanize and modernize equipment and methods throughout the company's seven plants.

Looking forward to the coming year, the company expects that this increased efficiency should enable it to show satisfactory earnings even if total sales should be somewhat lower as result of the curtailed production expected in the automotive and television industries. The company believes that replacement sales and sales of new products will continue to increase.

Tung-Sol expects that color television should have a favorable effect on sales because in addition to opening up whole new markets for its tubes, it appears likely that color TV sets will require about $1\frac{1}{2}$ times as many tubes as black and white sets.

Dividends including extras totaled $1.25 per share in 1953 and 25¢ quarterly has been paid thus far in the current year.

Pitney-Bowes, Inc.

"Please report on progress of Pitney-Bowes Co. as to sales, rental and service revenues for the past two years, and also annual dividend payments."

P. S., Burlington, Vt.

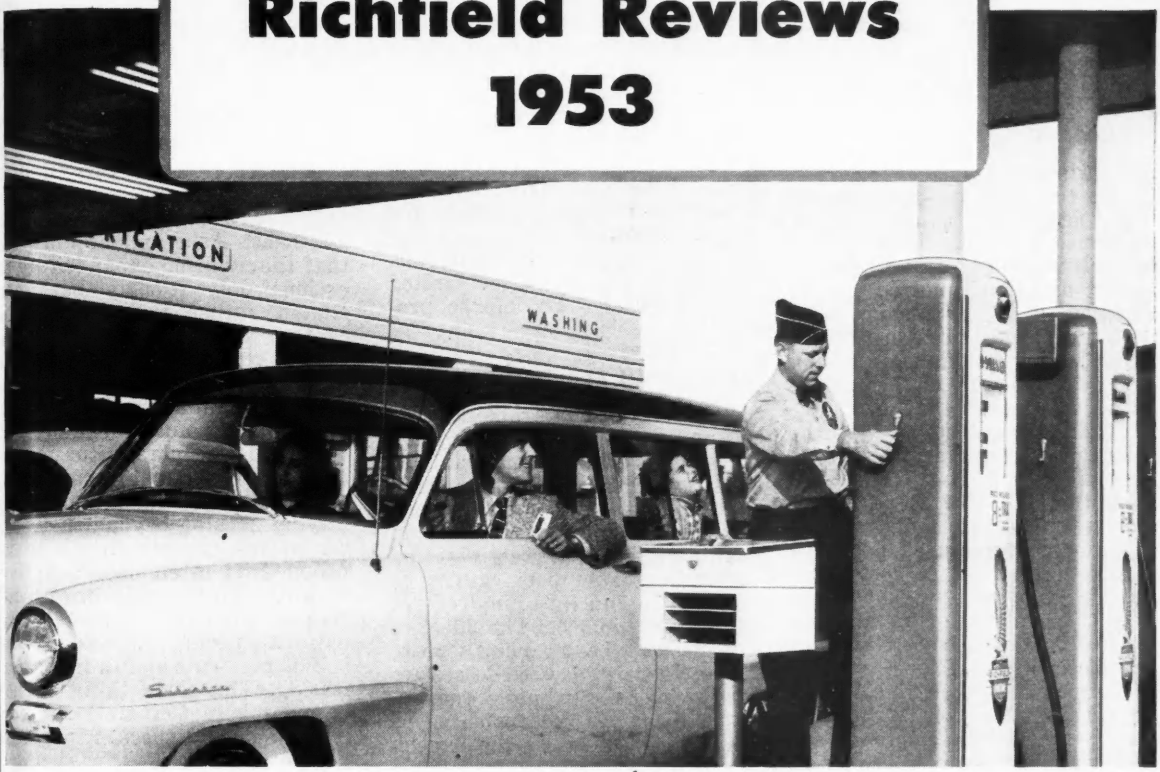
Pitney-Bowes, Inc. lists gross revenues of $32,811,928, in 1953, a gain of 7% over the 1952 gross of $30,606,023. Profit before taxes—$4,712,096 was down 7% from the previous year's $5,066,148, but a larger excess profits tax base and other tax adjustments resulted in net profit of $1,809,096, up $12\frac{1}{2}$% from the 1952 net of $1,608,148.

Earnings after preferred dividends amounted to $1.48 per share on 1,194,734 shares of common stock outstanding, as agains $1.34 on 1,160,633 shares in 1952. The margin of net profit was $5\frac{1}{2}$¢ per dollar of gross, as compared with $5\frac{1}{4}$¢ for the previous year, and the ratio of net profit to invested capital increased from 10 to 11%.

Sales, rental and service income reached a new peak in 1953 and net profit was the second highest

(Please turn to page 202)

Richfield Reviews 1953



Net earnings of Richfield for 1953 were $28,525,000, equal to $7.13 per share, as compared to $25,625,000, equal to $6.41 per share, for 1952. Dividends of $3.50 per share, including a special dividend of 50¢, were paid during 1953.

Sales of refined products in 1953 averaged 103,430 barrels per day, as compared to 93,295 barrels per day in 1952.

Sales of crude oil averaged 24,904 barrels per day, as compared to 27,689 barrels per day in 1952.

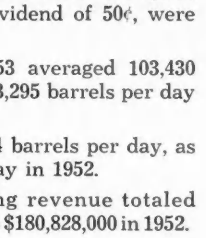
Gross sales and other operating revenue totaled $202,039,000 in 1953, as compared to $180,828,000 in 1952.

Gross crude oil production in 1953 amounted to 26,499,000 barrels, as compared to 27,440,000 barrels in 1952. Net production was 20,603,000 barrels in 1953, as compared to 21,161,000 barrels in 1952.

Total crude oil processed at the Corporation's refinery in 1953 averaged 111,647 barrels per day.

During 1953 the Corporation used its retained earnings together with $24,000,000 in new funds from the sale of debentures to provide for an enlarged program of capital additions. Capital expenditures of $62,951,000 during 1953 were $36,432,000 in excess of 1952 expenditures. The increase was attributable primarily to a refinery expansion program and to development of oil and gas properties.

These are highlights in the 1953 Annual Report... another chapter in the Richfield story of progress.



WE WILL BE PLEASED TO SEND YOU A COPY OF OUR 1953 ANNUAL REPORT. WRITE: SECRETARY, RICHFIELD OIL CORPORATION, 555 SOUTH FLOWER ST., LOS ANGELES 17, CALIFORNIA

COMPARATIVE INCOME ACCOUNT

	1953	1952
Gross operating income	$202,039,003	$180,828,129
Costs and expenses	156,332,534	135,882,960
	$ 45,706,469	$ 44,945,169
Interest expense and nonoperating income — net	(380,983)	(220,171)
	$ 45,325,486	$ 44,724,998
Provision for Federal income and excess profits taxes	16,800,000	19,100,000
Net income	$ 28,525,486	$ 25,624,998
Net income per share	$7.13	$6.41

RICHFIELD OIL CORPORATION

Executive offices: 555 South Flower Street, Los Angeles 17, California

Indo-China Crisis Points To Danger of Loss in Strategic Materials

(*Continued from page* 168)

expropriation.

This economic nationalism has deep roots in the philosophy and emotions, and sometimes in the experience of the peoples involved; and it will not be easy to overcome it. Many resource-rich but undeveloped nations would rather have industrialization than larger exports of materials. As far as they argue that a diversified production is better than the reliance on a single export item they are right. But when they claim that in order to be strong and esteemed they should produce as many manufactured goods as possible regardless of costs, and that no consideration should be given to the merits of the international division of labor, they are manifestly wrong. They are wrong at their own expense and that of the rest of the world. Unfortunately, in politics emotions are usually a stronger force than critical analysis. We have to face the fact that many countries are nurturing a definite hostility to the development of primary resources.

Means of Aiding Foreign Production

Since the strategic interests of the United States are at stake the U. S. Government has been eager to extend a helping hand in cases where private capital finds the risks abroad too great. Efforts have been made to increase foreign raw materials production through ECA projects, Export-Import Bank loans and long-term supply contracts. Credit has been extended to projects to produce manganese in Brazil, tungsten in Argentina and Peru, sulphur in Argentina and Mexico. Assistance has been given to the exploration of manganese, lead, and zinc in Greece, chrome in Turkey, industrial diamonds in British Guiana and French Morocco, and so forth. The U. S. Government has given guaranties through various agencies against the inability to convert original investments and subsequent earnings into dollars because of exchange restrictions; and against expropriation or confiscation by foreign governments. As of September 30, 1935, 51 guaranties had been issued against the risk of convertibility and 3 against the risk of expropriation in the total amount of $41,210,000. The Import-Export Bank has stated that without its assistance it would have been impossible to induce American private investors to invest in certain projects for the production of manganese, copper, iron ore, and other materials which are needed by the United States industry for defense production.

Communist Economic Policies

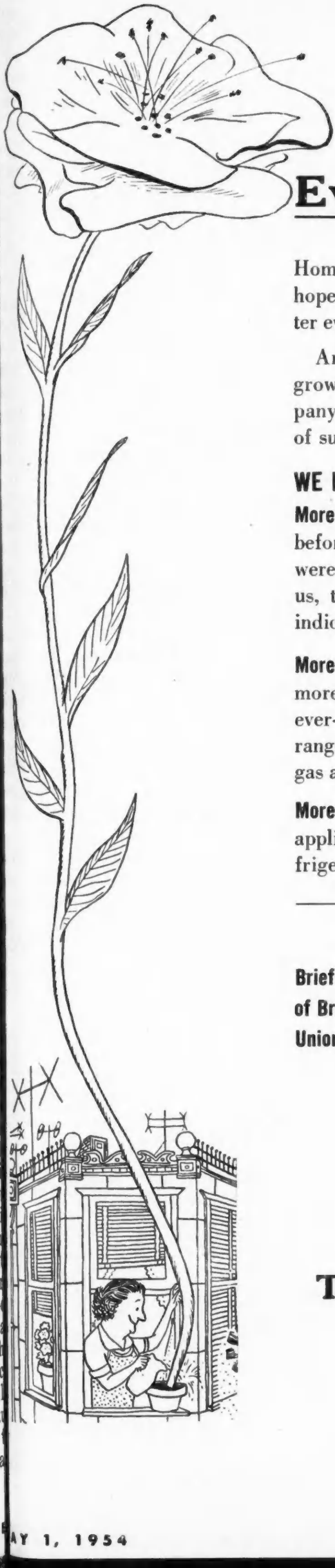
We need raw materials now for consumption and for stockpiling. We shall need more materials in the future. Private American capital will not under present circumstances find investments in Southeast Asia attractive, and governmental support cannot be expected to run into hundreds of millions of dollars. The idea of enterprises whose earnings go to their owners while their losses are partly covered by public guaranties will always be considered as basically unsound by the American public..

The chances that the raw materials exporting countries will themselves develop their resources without the aid of foreign capital are very slim. The majority of these nations assumes that the concentration on agriculture and raw materials is a sign of second-class nationhood; in addition they lack the means to go ahead unaided. Many generations of the most enterprising races on earth had to build up and wisely invest their savings in order that the United States and some of the European countries could achieve their present economic eminence. The peoples of Asia are poor, and what they earn they are wont to spend. Even if they were better off than they actually are they would not operate a free and rapidly expanding economic system.

Those Americans – and there are many of them—are naive who believe that we need only demonstrate to the undeveloped peoples how a competitive capitalistic economy is organized in order to induce them to follow our example. The ethics of Western capitalism: work as hard as you can, make money, save a part of your earnings, invest in new enterprises—these ethics have prevailed even in the West only during the last three or four centuries. In Asia the people either take more leisure when their earnings increase or they spend their money more lavishly than they did before. Large-scale investments, therefore, must either be made by foreigners or they must be enforced.

Now there is a very definite possibility that the development of the raw materials sources of Southeast Asia will be enforced, that they will be expanded by coercion; only it may be Soviet Russia rather than the United States, and communism rather than a competitive economy that will develop them. As everyone knows, communism has brought untold misery and moral degradation to the people of Russia. But it has also brought them an impressive industrialization. While leaving nothing beyond their barest means of subsistence to the people—and often not even these —the Soviet government has claimed the entire surplus of the national income and has invested it in armaments and in industrialization. The same thing is now happening in China. If the communists should succeed in getting hold of Southeast Asia, it stands to reason that they will repeat their performance. They will pay scant attention to local economic nationalisms. Where there are promising raw materials they will develop them. Consequently, we shall not receive the materials we are now importing and even less what we shall need in the future, whereas the Soviet bloc will be enriched by more than we shall lose at this moment. That will mean a heavy shift in the balance of economic power.

We must also think of Japan. China and Southeast Asia are the natural outlet for her foreign trade. If she should lose this whole area, she will be in the position in which Britain would find herself if she were cut off from continental Europe. When Napoleon could not defeat England by military means he thought that he could bring her down by preventing the European continent from trading with her. He failed because the Continentals sympathized with Britain and defied the blockade. But if Napoleon's policy had succeeded England would have got in a very precarious situation. Consequently, if we want to save Japan for the West we shall have to save Southeast Asia.



1954 Outlook for Pharmaceutical Industry

(*Continued from page* 175)

time of the Korean affair added to the industry's woes, for many women found they could do without a lot of items or could reduce consumption of higher priced goods.

Some manufacturers have fallen by the wayside, others have been absorbed in larger concerns and operating economies have been introduced to hold down manufacturing and distribution costs. The growing population of youngsters of early teen age offers hope for a revival in demand. It may be observed that young girls are using powder, lipstick, fingernail polish, home permanent solutions and many other items at a more tender age nowadays than a generation ago. The market steadily is expanding.

The outlook for cosmetics is more promising than it has been for some time because raw materials are more readily available at reasonable prices and fewer manufacturers are in the business. Although competition by no means has disappeared, it is not so irresponsible as it was four or five years ago. If the womenfolk respond encouragingly to the modest price reduction afforded by tax relief, manufacturers such as Lehn & Fink, Warner-Hudnut, Zonite and others will stand to benefit from an upturn in sales volume.

While the profit margins of manufacturers of ethical drugs were lowered last year by the unusual publicity given to the effects of certain antibiotics and the general over-supply which existed during the period, it is probable that the current year will register an improvement. However, with competitive pressure likely to continue, expenditures for research, development and exploitation are likely to hold to high levels, thus limiting prospects for dividend increases. On the other hand, dividends are at a conservative level and within the capacity of most companies in the field even under conditions of somewhat lower earnings. From a stock market standpoint, most of the representative drug stocks seem fairly well deflated and, in fact, has recently indicated a better tone.

What New Stockpiling Program Means to Metals

(*Continued from page* 177)

it would most likely become necessary to increase tariff rates to a level comparable with those existing before reciprocal trade agreements were put in effect, or in lieu of such action, establish import quotas.

Copper Continues Firm

At the present time, copper, on the surface, does not seem to be bothered by such problems as confront the zinc and lead producers here at home. Despite the many predictions made a year ago that the red metal would be forced down to as low as 24½ cents a pound, quotations have held firm at the 30 cent level, and right now is exhibiting a stronger tone than at any time since the removal of price controls. The copper industry, however, is not invulnerable to oversupply which by now would have been much greater had the leading American producers failed to cutback production.

As matters stand at present producers' stocks of unsold copper continue to grow notwithstanding cutbacks that brought average daily production during the month of March to the lowest point in several years. At the end of the month stocks of copper in foreign producers' hands had risen to 279,804 tons, and inventories of domestic refined copper had increased to 125,759 tons. This latter tonnage was higher than any on hand since the latter part of 1949, when stocks of refined copper stood at 139,000 tons. On the brighter side, however, has been increased copper shipments to domestic fabricators. March deliveries totaling 95,795 tons were the largest since December, 1953, and compare with 77,000 tons shipped in January and 89,000 tons in February. On the basis of April business, it is believed likely that the uptrend will be maintained, early estimates putting the month's shipments at 100,000 tons or better.

An optimistic view prevails over the May outlook. This, however, is tempered by the inability to determine how much of the recent demand for copper, as well as zinc and lead, has been stirred up through fear of an Indo-China crisis, the White House directive for setting up new stockpile objectives, and how much through necessity on the part of consumers to replenish inventories that had worn thin because of their heretofore hand-to-mouth buying policies. Another equation which cannot be evaluated now is how much copper buying will develop under the stockpile program. Factors determining the amount of support the red metal will receive from the Government will be how much additional, if any, copper is wanted for the stockpile and the trend of its price. It is reasonable to assume that if the metal continues to hold at the present 30 cent level there will be no need to give government support to the market. On the other hand, should the price react to any appreciable extent, the Government is already committed to purchase copper at prices ranging from 22 cents to 25½ cents a pound over varying periods of time, from American Smelting & Refining's Silver Bell mine now in production, the Phelps Dodge Lavender pit, scheduled to start production within the next few months, and Anaconda's new property at Yerington, Nevada, that began producing copper last November. Similar agreements are held with other producers provided they cannot sell their output at better prices.

It is possible that none of this new output will find its way into the stock piles at the prices set in the purchase agreements, that is, unless the metal should undergo a wide-open price break. At the moment, there is no indication of such a happening. Apparently, supplies are in strong hands with none of the metal being forced upon the market. This price steadiness, which is world-wide, is one of the most favorable indices to the current copper situation.

Aluminum and Nickel in Strong Position

As yet, there is no indication that the new stockpiling program is going to have any direct effect upon the aluminum situation. According to an Office of Defense Mobilization report potential primary aluminum production this year will be close to 1.5 million tons. This would be about twice 195[illegible] capacity and is sufficient according to ODM to cover normal defense needs, current stockpiling requirements, and allow a b

enough supply for all civilian needs. This situation might be radically changed, however, should international events dictate the advisability of increasing the rate of aluminum stockpiling. As matters now stand, the stockpile under the old program is believed to be only about 50% completed, which means that should conditions develop, the rate of stockpiling might be speeded up to the extent that there would be a material cut-back in the amount of the metal available to commercial users. Such a development, it is believed, is likely to touch off another round of government sponsored expansion in the industry. The possibility of this has been under consideration by Washington for some time, but no decision is expected until around mid-summer, or after ODM has been able to weigh military requirements. A factor that may play an important role in the decision is the growing use of the metal in an increasing number of fields, some of the more important of which are construction, the automotive and aircraft industries, electrical equipment, and machinery and equipment manufacturers.

Nickel continues in relatively tight supply. Military needs have materially limited the amount available for civilian needs even though the Government, last October, revoked controls over commercial use of the metal in this country following completion of arrangements which were believed to assure that military and atomic energy requirements would be adequately met. Included in these arrangements was a contract with International Nickel Co., calling for delivery of a total of 120 million pounds of metallic nickel over a five year period to the end of 1958. To further increase supply, the General Services Administration announced last January that it was going forward with an expansion of the Government-owned nickel plant at Nicaro, Cuba to treat nickel and cobalt ores from the Moa Bay properties owned by the Nicaro Nickel Co., Freeport Sulphur Co.'s subsidiary. The latter company also has underway its own smaller pilot plant program and has expressed the intention of constructing a privately financed commercial scale plant if the Government would enter into a purchase contract and allow accelerated tax amortization.

(*Please turn to page* 198)

What New Stockpiling Program Means to Metals

(*Continued from page* 197)

Conclusion

With the exception of aluminum and nickel companies, metal producers in 1953, on the whole, had a disappointing year. Reference to the accompanying table indicates that dividend coverage for the zinc, lead and copper producers was fairly narrow. The lift given to these latter companies as a result of the new stockpiling program of the Government, details of which are as yet not too well known, and the resurgence of buying by private industries to replenish stocks, have come just in time to place a better support under dividends. Consequently, therefore, it would seem that while the outlook is by no means brilliant, there will be more assurance as to dividend maintenance than has been the case up to recently. With respect to the nickel and aluminum producers, conditions have been satisfactory right along, but the new program of the Government should create an even stronger base for these two groups for the time being at least.

1954 Outlook for Paper Industry

(*Continued from page* 181)

can be expected. In this sense, it is not over-capacity when one is able to meet peak demands. That is considered to be one of the normal functions of a manufacturer. Certainly, the record indicates that, realistically speaking, the paper industry is not guilty of over-capacity at the present demand level.

The paper industry has grown with the United States because its products are essential and new products are constantly being brought forth by the industry to keep pace with the requirements of our economy. In addition, markets have been created for many of its products by replacing other materials in time of peace, as well as by substituting for other materials in time of emergency. In the latter case, a portion of the market needs filled were retained even after the replaced materials again were available in ample supply.

In the space of little more than a half century paper output has risen from 1,733,482 tons annually to 13,010,418 tons—the peak year, established in 1951. Board production, inclusive of building board, has gone in the same period from 394,111 tons to 13,862,602 tons in 1953, a record. Over this span of years per capita paper consumption increased from 47.4 pounds to 229.2 pounds in 1951 and per capital board consumption from 10.5 pounds to 172.5 pounds in 1953. And the domestic industry has met United States requirements for paper with the exception of newsprint, dominated by Canada.

Kraft Paper Position

Over this span of years, the most important development in the paper industry has been the phenomenal growth of the kraft paper and board industry in the Southland. In 1929, only 8.7% of the annual output of 11,140,000 was contributed by Dixie, but by 1939 this proportion had grown to 21.3% of the 13,510,000 produced and in 1952 to 35.6% of the 24,423,000 tons turned out. The South now accounts for between 75% and 80% of the kraft wrapping and bag papers produced in this country as well as about 60% of the container and special food boards.

From the foregoing it should be obvious how foolhardy it is to fear expansion and growth on the basis of a small downturn in the business, induced by economic dislocations that have no appreciable effect on the long-term trend in a dynamic, flexible and growing country. While the nature of the paper and board industry entails heavy demands on the forest resources of the country, an ample future supply is assured through selective cutting and extensive reforestation and tree-planting programs. Thus, in the South about 13,000,000 acres of forest lands are industry-owned or leased and present forest-tree nursery capacity approximates 37,000,000 seedlings with a planned expansion of 22,000,000 seedlings. In addition, about 110,000,000 seedlings have been distributed to small owners as part of the forestry assistance program.

That segment of the paper industry which produces the containers used to wrap up everything from aspirins to automobiles is in for another excellent year. Output thus far this year is somewhat slower than 1953, a year in which the makers of such products as paper milk cartons, folding paper boxes, shipping containers and a wide variety of other major types of packaging set an all-time high.

For some firms who turn out the package design for many of America's blue-chip companies, 1953 was their busiest year. The trend toward wrapping up everything in this supermarket era that has plowed under the clerk gets stronger with the years.

But the container people will have to go some to surpass banner 1953. Output of paper milk cartons in 1953, as an example, was 8% ahead of 1952. Production of folding boxboard last year was 2.8% more than in the previous high year of 1951.

There was a sharp rise in the use of transparent film to wrap consumer products. Transparent packaging films include cellophane, polyethylene, acetate and vinyl. All differ somewhat in porperties, but have this in common: Products wrapped in them are often made more eye-catching, they enable customers to handle and examine goods without causing damage from soilage or deterioration, and they reduce the need for store clerks.

Cellophane represented almost two-thirds of last year's total output of transparent films. With demand for its use as a container rising, such manufacturers as du Pont and Olin Industries are putting up additional plant capacity. The use of polyethylene for packaging is growing perhaps even faster. Visking Corp. of Chicago, a pioneer in the field, finds its volume of sales increasing.

Consumption of waste paper by the industry, particularly the board segment, has been increased appreciably since 1940, almost doubling in a period of 12 years. During World War II, particularly, waste paper played a major role in attaining production goals and meeting both war and civilian-economy demands. During that time waste paper supplied approximately 38% of the fibre requirements, but is now back to its peacetime ratio of 32%. Rags, straw, cotton fibre, manila stock and other fibrous materials play an important part in supplying specific types of fibre especially needed to make many of the "tailor-made" grades of paper

used by multiple industries.

In discussion of the paper industry it is not generally realized that it plays a significant role in foreign trade. True, the industry has placed major emphasis on domestic business, leaving exports to a small number of mills. This attitude is undergoing a change and more companies are taking a greater interest in exports. In some cases, companies even are allocating a fixed percentage of their production, regardless of domestic demand. In recent years, exports of paper and board have amounted to about 1.5% of production. In these days of talk of action to provide more dollars in international trade and the need for importing more goods to provide the necessary exchange that countries overseas may buy more here, it is not generally known that the paper industry provides a substantial amount of the value of all imports into the United States. In the past four years it has averaged between 9.5% and 11%. Over the past three years, over $925,000,000 annually has flowed into foreign trade to provide raw materials for the industry and paper, paperboard and paper products for domestic consumption. Our annual imports of newsprint in the past three years have averaged $550,000,000, or about 98% of the total value of paper brought in.

Pattern in Sales

To sum up then, there is no gloom in the paper industry. The current year will have its problems, but real recession is not one of them. More vigorous competition would seem to be a certainty. Companies such as St. Regis Paper probably are typical. That firm had sales of nearly $196,000,000 and net profit of $16,800,000 in 1951. Declining sales and profits from that boom year also was experienced by St. Regis in the following 12 months. For in 1952 the "handle" was $182,712,000 and net was but $12,702,000. Last year, however, following the record-setting pattern of the industry, St. Regis hit a record gross of more than $200,000,000 and netted $16,157,000.

A like pattern was charted by International Paper. Sales declined in 1952 to $631,421,000 from $637,300,000 in 1951 while net profit was pared to $52,126,000 from $56,819,00. But in 1953 sales soared to $673,508,000, a record level and 5.7% above the previous high in 1951. Another 1953 record-setter was Scott Paper Co., whose sales gained 15% from the preceding year to hit $165,000,000. Net profit rose to $11,695,000 from $10,707,000 a year earlier.

Earnings Outlook

So a slight downward adjustment in the level of the economy may make itself felt in the paper industry, but nothing short of a full-blown depression will keep the business from registering another good year.

From the standpoint of earnings and dividends, the outlook appears quite satisfactory for the entire industry and for most companies though net profits for some may be under recent peak levels. Practically all the important companies can maintain their dividend payments without difficulty and not a few should be able to grant moderate increases.

1954 First Quarter Earnings

(*Continued from page* 163)

the result both of drought conditions in many affected areas and an oversupply situation in the trade generally. It is not yet clear whether this division of the company will soon improve. On the other hand, the widening demand for the company's product "polyvinyl chlorine" and also "perchlorea-ethylene" gives substantial promise for the future. The acquisition of the Belle Alkali Co. last year has also widened the base of operations.

REPUBLIC STEEL CORP. This is the first of the major steel company reports to be issued and has been eagerly awaited as an indication of the effect on earnings of actual operating conditions during the first quarter. The company showed $1.79 a share, compared with $2.24 a share in the first quarter of 1953, and $2.22 a share in the final quarter of 1953, the latter, of course, as is normal for the period, being subject to many bookkeeping adjustments. The effects of the general downturn in the steel industry is revealed in the company's statement on sales and revenues, showing a decline in the first quarter of about $75 million, or from $292 million in the March quarter of 1953 to $214.4 million. The net per share return must be considered highly satisfactory in view of the decline in the company's operating rate to an average of about 69.5% for the quarter. Two factors are responsible for the relatively good showing. First, the elimination of the excess profits tax, which last year amounted to $3.39 a share. Income taxes for the period were $12.4 million, compared with $28.6 million in the March quarter of 1953. The second factor is the result of excellent cost control as a result both of the higher effi-

(*Please turn to page* 200)

1954 First Quarter Earnings

(*Continued from page* 199)

ciency obtained through the new and modernized plants and of the elimination of over-time and other heavy labor costs. The outlook for the second quarter is that operations will not decline below the present level and, in fact, operations are now showing a slight increase. Although there is some uncertainty over the outlook, it would appear that Republic's second quarter earnings will roughly approximate those of the first quarter.

MONSANTO CHEMICAL CO. Sales were extremely stable for each of the past five quarters. Highest sales were $89.7 million in the June 1953 quarter and lowest were $82.7 million in the final quarter. First quarter 1954 sales amounted to $83.3 million. Earnings per share were not so even and fluctuated from a high of $1.43 a share in the June quarter of 1953 to the $1.01 a share shown for the first quarter of 1954. Toward the end of February, sales commenced to improve and, if continued, would produce earnings for the second quarter at least on a par with those of the first. The nylon spinning unit of Chemstrand at Pensacola, Florida is in production, with capacity increased monthly. Also, the polyethylene plant at Texas City is expected to be completed by the end of the year or early 1955. This important product is expected to become a substantial revenue producer. The company had practically no excess profits tax in 1953 and its total tax bill for 1954 is likely to be well under the $22.8 million for 1953. No estimate is now possible for this year's earnings but quarterly earnings should not be below $1 a share on the average. Total earnings for 1953 were $4.90 a share, compared with $4.29 a share in 1952.

ST. REGIS PAPER CO. In the first quarter of 1954, sales, net income and earnings per share ran even with the corresponding period of 1953. Earnings were 70 cents a share on sales of $50 million, with the same earnings in 1953 on sales of about $1 million less. While sales per quarter did not vary much in 1953, fluctuations in net earnings were quite marked. Thus, the September quarter produced earnings of only 54 cents a share compared with $1.09 a share in the following quarter, but this may have been due to the effect of accelerated depreciation charges as allocated to individual quarters. It is significant that depreciation and depletion charges in 1953 increased $3.3 million, amounting to $11.3 million against $8 million the previous year. This charge has a considerable effect on the earnings reported. This important manufacturer of paper products is steadily expanding its plant facilities, its new kraft mill in Jacksonville, Florida being a good example. The plant is expected to add substantially to revenues. At the same time, demands for white paper products is well maintained. Addition of new plastics plants has contributed to higher sales. The immediate outlook for the company is for satisfactory sales, with profits aided by production arising from the now nearly completed plant expansion. In 1953, earnings were $2.91 a share. Even if depreciation charges remain as high as in 1953, earnings should come close to duplicating 1953's performance. The best record for the company was in 1951, when $3.11 a share was earned.

AVCO MANUFACTURING CORP. Profits showed a considerable improvement in the first fiscal quarter of 1954 (Feb. 28) amounting to 17 cents a share, compared with 2 cents a share in the Nov. 1953 quarter and a deficit of 3 cents a share in the August quarter. In the first quarter of 1953, earnings were 31 cents a share. While sales in the last three quarters have been substantially unchanged, averaging about $95 million, first quarter sales were well below the $116 million for the first quarter 1953. It is reported that the farm equipment business which had suffered a downturn in 1953 is now in process of an improvement. Sales have been recently stimulated by introduction of the popular-priced black-and-white Crosley TV set. Support is given through substantial defense orders but competition in the home appliance field is keen and it has been difficult, on the whole, to raise profit margins. A potentially promising factor, however, is the intensified effort to coordinate and improve

the selling organization.

MASONITE CORP. Since the second quarter of 1954, sales have declined. They were $9.4 million in the Feb. 28 quarter (fiscal year end Nov. 30) compared with $9.8 million the previous quarter and $11.8 million in August quarter. Corresponding with this decline, earnings dropped to 29 cents a share in the February quarter, compared with 30 cents a share and 94 cents a share in the two preceding quarter. In the Feb. quarter of 1953, earnings were 44 cents a share. As the volume of sales decreased, the margin of profit dropped. As a principal producer of hardboard, the company has been affected by Scandinavian competition and uncertainties surrounding the price situation. Under these conditions, it seems that although there should be a seasonal uplift during the summer period, when construction activities are at their highest, earnings for the fiscal year will be well below those of the preceding year. On the other hand, the favorable outlook for its California division is of long-term importance. Revenues from oil leases have thus far not been substantial but the potentials should not be excluded from consideration.

FLINTKOTE CO. Sales for the first 12 weeks were $18.2 million compared with $17.6 million for the same period last year. Net was 45 cents a share against 53 cents. While the sales outlook is helped by the high level of residential construction activity, operating costs have increased and taxes are a heavy burden. In the first 12 weeks, for example, income taxes (U. S. and Canadian) were $693,000, a sum actually larger than the net income of $646,000. Competition in asphalt and roofing is increasing. Under these conditions, it would appear that earnings for 1954 may fall behind those of 1953, when $3.73 was earned per share. In estimating probabilities for earnings in the balance of the year, it should be noted that this company's best earnings are normally in the second and third quarters of the year so that the relatively low first quarter earnings, as reported, are not entirely representative.

N. Y. AIRBRAKE CO. Quarterly sales have held evenly, around $10 million throughout 1953, with the exception of the final quarter when sales rose to $11.5 million. In the first quarter of this year, sales dropped to $9.3 million. However, earnings increased to 81 cents a share, compared with 57 cents in the Dec. quarter of 1953 and 74 cents a share in the first quarter. This was probably accounted for by the lapse of EPT, with the company providing about 50 cents a share for excess profits taxes and renegotiations liability (if any) in 1953. Airbrake sales are expected to decline, along with smaller buying for equipment by railroads in general. Defense orders, while still substantial, are leveling off. Sales for the year are expected to be under those of 1953 but will be cushioned by the company's liberation from excess profits tax liability.

Corporate Cross-Country Expansion Creates Earnings-Dividend Stability

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the base of company earnings. Aside from the outright location of plants in new regions, corporations are diversifying both as to distribution of the location of plant and product either through absorption of other—and smaller—companies, or through mergers. In any case – regardless of the means—the attempt is to secure protection against the hazard of production that may be excessively concentrated in too few plants, as well as to gain a stronger competitive position in the new regions.

The tables on the accompanying pages ilustrate the extent to which decentralization diversification of major companies has developed. In general, it may be stated, that this multiplicity of plant location and product, spreading throughout the country, has been an essential ingredient in the sustenance of stable operations for the companies. Even great corporations which might be considered to have already reached an adequate point of decentralization are still pressing forward in order to participate fully in the growth of newly developing regions. Thus the U. S. Steel Corporation, in addition to developing its new vast Fairless plant, has been rapidly expanding its facilities in

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Corporate Cross-Country Expansion Creates Earnings-Dividend Stability

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Utah and California, in order to supply this rapidly growing region with steel products manufactured in the vicinity, rather than exclusively through expensive transport from far distant midwest points.

It probably would take several books, at least, to do justice to this striking development in American corporate life but we believe we have indicated in this brief survey the general pattern. For investors, the conclusion is inescapable that corporate growth and stability are two sides of the same coin. Without growth, there can be no stability and without stability, there is little opportunity for growth. It is significant that the corporations with the greatest resources are precisely those which are making certain that they will leave no stone unturned to see to it that they participate fully in the growth of the nation.

Answers to Inquiries

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on record.

With four more quarterly payments of 25¢ per share to stockholders, in 1953 the company completed 20 years of uninterrupted cash dividends, and closed 1953 with an increase of $702,436 in net assets. Net worth, or the stockholders' total investment, rose from $11,928,608 to $12,735,044.

The company announced an 11% increase in the use of postage meters, its key product. United States postage paid on metered mail rose to a new high of $771,624,000, more than two-fifths of all Post Office Department revenue.

Bell & Howell Company

"Please report recent developments of Bell & Howell Company and also sales volume, net earnings and dividends."

A. I., Oakland, Calif.

Bell & Howell Co. sales in 1953 were $29,816,408, compared with $28,665,915 in 1952. Net earnings after taxes were $1,357,994, equivalent to $2.68 per common share compared to $1,423,870 or $2.81 per share in 1952.

Included in 1952 earnings was a capital gain from the sale of fixed assets equal to 30c per share of common stock. Earnings from operations in 1953 were 6% ahead of the preceding year, excluding this capital gain.

The company's competitive position was strengthened in 1953 by its entry into the low priced 8MM movie equipment market.

Other new developments were the following: (1) Development and manufacture of several new film products; black and white roll film, a new reversible type microfilm, lithographic film for use in the graphic arts field, and aerial gun camera film for the military services.

(2) The introduction of a new line of heavy duty sound projectors for audio-visual and industrial use.

(3) Establishment of a new research and advance development group within the engineering division of the company.

(4) A 30% increase in unit sales of microfilm equipment.

(5) Installation of supplementary cost reduction and inventory control programs.

Retail sales of photographic equipment approximated in 1953 the results of the year previous. Although earnings in the first quarter of 1954 are expected to be lower than in the corresponding 1953 period, the outlook for the remainder of the year appears favorable. The company plans to introduce several new photographic, film and microfilm products during 1954.

Dividends in 1953 totaled $1.00 per share and 25c was paid in the first quarter of the current year.

Central Hudson Gas & Electric Corporation

"I am a resident of New York State and have noted that Central Hudson Gas & Electric Corporation's territory appears to have increased in population and industrial growth and therefore I would be interested in receiving late information in regard to the company's operations."

A. E., Poughkeepsie, N. Y.

Further development of Central Hudson Gas & Electric Corporation's territory as an area of good homes, moderate-sized farms and well diversified industry resulted in a steady growth in the company's business during 1953.

Net earnings for 1953 amounted to $2,661,124 as against $2,334,768 a year earlier. This was equivalent, after dividends on the preferred stock, to 90.3c per share on 2,259,642 common shares outstanding, compared with 84.8c per share on 2,021,399 shares outstanding at the end of 1952. Operating revenues rose to $21,457,071 from $20,656,964 in 1952 on gains of 7% in both electric and gas revenues.

The company produced in its own plant 75% of its total 1953 output of 801,052,593 kilowatts, as compared with 78% of its 1952 output of 744,277,414 kilowatts. Due to a prolonged drought, the company's hydro-electric output fell 21% below that of 1952. This loss was substantially offset, however, by the increased production of the 60,000 kilowatt Danskammer Point Steam Station. A second 60,000 kilowatt unit at Danskammer, which is scheduled to begin operation this fall, will enable the company to produce 98% of its total power requirements in 1955.

Further development of the company's area is expected with the completion of the New York State Thruway near the end 1954. Running the full length of the company's franchise on the west side of the Hudson River, this

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superhighway will provide easy access to New York City and the industrial section of upstate New York. During 1953, the company added approximately 3,000 new electric customers and 1,003 gas-heated homes. Important developments during the year which will affect the company's future industrial sales include modernization and expansion programs initiated by several large corporations including International Business Machines Corp.

For the quarter ended March 31, 1954 net income was $879,127, equal to 32c per common share against $777,517 or 30c in the like 1953 quarter. Based on number of shares outstanding.

Construction cash requirements of Central Hudson for 1954-1955 are estimated at $17,300,000, of which approximately $5,800,000 will be provided from reserve accruals and earnings, and the balance, together with $1,200,000 for the payment of short-term notes outstanding at the year-end, will be provided from other sources.

Dividends in 1953 totaled 70c per share and 17½c quarterly has been declared thus far in the current year.

The Trend of Events

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indicated economic growth of the country.

It is estimated that the national wealth is increasing at the annual rate of from 4% to 5%. Assuming the continuance of such an increase in the years directly ahead, the U.S. gross national product would be not far from $450 billion in 1960 in terms of 1953 dollars, as compared with this year's probable $350 billion and last year's $367 billion. This would indicate an increase in the nation's standard of living of at least 25%, and gives an idea of the size of future income of the American family.

In order to provide for this expansion in the nation's economy and to maintain their own strategic position, progressive corporations are extremely active in mapping out new plant and business locations ordering new equipment as well as creating and developing new products for market. (This is described in a special article in the current issue of the Magazine)

Aid, Trade, and U.S. Economic Health

Expanded world trade is of vital importance in the effort to build greater world stability and ultimately remove the requirements for large-scale United States assistance. As the previous Report to Congress on the Mutual Security Program pointed out, the American economy cannot be divorced from the world economy. That report gave specific instances to show that America's great productive capacity could not be long maintained, let alone enlarged, without the vast quantities of basic materials provided by other countries. It also showed that the high level of our prosperity, particularly with regard to the farmer, depends to a great extent upon the amount of goods other countries are able to buy from us, and it brought out the vital importance of two-way international trade to our own continued economic prosperity.

Recent statistics strikingly reemphasize these same hard facts. United States total agricultural exports for the 1952-53 crop year amounted to $2.8 bilion. Significant though this figure is in showing the magnitude of American farm income derived from abroad, it is, nevertheless, 30 percent below the agricultural export figure for the preceding 12 months of 1951-52, and 20 percent below the 5-year average for the crop years 1947-52.

American industry, too, leans heavily on its foreign markets. As of the third quarter of 1953, our nonagricultural exports excluding military aid shipments, were running at the rate of about $9 billion for the year. On the same basis, these are some of the items American industry exported for the full year 1953; over 250,000 automobiles and trucks; almost 500,000 refrigerators and freezers; almost 12 milion barrels of lubricating oil; and more than $1 billion worth of machine tools, agricultural machinery, and tractors.

Our farms and factories could ill afford to lose these enormous sales abroad, but the extent to which the foreign market for American goods contracts or enlarges depends in great measure upon the amount of dollars other countries have available to spend. With economic aid tapering off, a constantly expanding volume of international trade, coupled with increased outflow of private United States investment capital, is the only real, long-term solution to dollar shortages abroad.

It is an exceedingly difficult and complex task to develop a national trade policy consistent with America's position as the world's greatest creditor and greatest producer, and, at the same time, not place inequitable burdens either upon specific segments of the American economy or upon other nations who must earn their living in the world. Yet, unquestionably, if the nations of the world are to flourish and move on to higher levels of trade, production, and living standards, the formulation and activation of such a policy is of utmost importance.

—U.S. Mutual Security Report

CORRECTION

In the April 17 issue, on page 99, a printer's error resulted in the duplication of several lines of type. The comment on "dividends" and "market action" of Crane Co. should have read:

"Dividends: Current dividend rate of $2.25 a share annually is secure, and on the basis of earnings over the last few years could be moderately increased."

"Market Action: Recent price of 33¼ compared with a 1953-54 price range of High—34⅛, Low 25⅛. At current price the yield is 6.7%."

The comment on Goodyear Tire & Rubber which appeared on the following page was correctly printed.

We regret the typographical error.